

FBIS**DAILY REPORT**
CONTENTS*China*

10 Aug 87

FBIS-CHI-87-153

i

INTERNATIONAL AFFAIRS

GENERAL

LIAOWANG Reviews Diplomatic Achievements A 1
[20 Jul]
Roundup Views UN Efforts for Persian Gulf Peace A 5

UNITED STATES & CANADA

Column Discusses U.S. Computer Sales to China B 1
[Hong Kong TA KUNG PAO 7 Aug]

SOVIET UNION

Agreements Reported at Soviet Border Talks C 1
[Hong Kong TA KUNG PAO 9 Aug]

NORTHEAST ASIA

Article Analyzes Kokaryo Incident, 'Friction' D 1
[Hong Kong CHING PAO 10 Aug]

SOUTHEAST ASIA & PACIFIC

Report Notes 'Good Trend' in Trade With Indonesia E 1
[Hong Kong ZHONGGUO TONGXUN SHE]

NEAR EAST & SOUTH ASIA

Soviet Union Pursuing 'Better Ties' With Iran F 1

LATIN AMERICA & CARIBBEAN

Roundup Views U.S. Role in Central America Plans J 1

NATIONAL AFFAIRS

Water Resources Ministry Officials Disciplined K 1
Commentator Urges Opposing Bureaucratism K 1
[RENMIN RIBAO OVERSEAS EDITION 8 Aug]
Loans, Scholarships Available for College Students K 3
[GUANGMING RIBAO 8 Aug]
Editorial Emphasizes Importance of Family Planning K 4
[ZHONGGUO JIHUA SHENGYU BAO 7 Aug]
Deng Xiaoping Inscribes '7 Aug Conference' Site K 5
Wan Li Meets Railroad Directors Representatives K 5

Tian Jiyun Heads Fire Prevention Headquarters [RENMIN RIBAO 7 Aug]	K 6
Li Peng at Hebei Meeting on Power Development [HEBEI RIBAO 24 Jul]	K 7
Party, State, Military Leaders Honor Dead Comrade Zhang Aiping on Army Modernization, Reform [LIAOWANG 27 Jul]	K 7 K 8
GUANGMING RIBAO Editorial Hails Army Day [1 Aug]	K 11
Gu Mu on Establishing Hainan Special Economic Zone [Hong Kong WEN WEI PO 9 Aug]	K 13
Economist Qian Jiaju Discusses Economic Reform [CHINA DAILY 10 Aug]	K 14
Commentator's Article on Results of Price Reform [Hong Kong LIAOWANG OVERSEAS EDITION 3 Aug]	K 15
RENMIN RIBAO Details Export-Oriented Enterprises [XINHUA 5 Aug]	K 17
RENMIN RIBAO Commentator on Enriching Rural Areas [OVERSEAS EDITION 10 Aug]	K 18
Commentator Views Responsibility System [JINGJI GUANLI No 7]	K 20

REGIONAL AFFAIRS

EAST REGION

Jiangsu's Han Peixin Addresses Symposium	O 1
Wan Shaofen Attends Meeting on Jiangxi Book	O 1
Shanghai's Rui Xingwen Visits Grass-Roots Units	O 1

CENTRAL-SOUTH REGION

Guan Guangfu Addresses Hubei Meeting on Grain	P 1
---	-----

NORTH REGION

Ningxia Secretary Visits Nei Monggol on Anniversary	R 1
---	-----

NORTHEAST REGION

23 Arrested, Charged for Part in Heilongjiang Fire	S 1
--	-----

HONG KONG & MACAO

MACAO

Macao Governor Arrives From Portugal 8 Aug [SUNDAY STANDARD 9 Aug]	W 1
Government Council Abolished [SOUTH CHINA MORNING POST 10 Aug]	W 1
Welcoming Ceremony [XINHUA]	W 3

LIAOWANG REVIEWS DIPLOMATIC ACHIEVEMENTS

HK061350 Beijing LIAOWANG in Chinese No 29, 20 Jul 87 pp 32-33

[Article by Liu Jinghuai (0491 2417 2037): "China's Active Diplomatic Stage"]

[Text] In the first half of this year, China's diplomatic stage presented a bustling scene. The leaders and high-ranking officials of many countries enthusiastically stepped on the vast land of China for visits. The leaders and high-ranking officials of China also eagerly went abroad on visits, bringing China's diplomatic activity a new upsurge and giving expression to the vitality of China's foreign policy of peace marked by independence and autonomy.

Amid a string of diplomatic activities in the first half of this year, Zhao Ziyang's visit to five socialist countries in Eastern Europe in the dual role of the supreme leader of the party and the Chinese Government was the focus of the greatest attention. This was the first visit by the most supreme party and government leader of China to the five East European countries in more than 20 years.

China and the five East European countries are all socialist countries. In the 1950's, they were close. In the fairly long period of time since, their relations had become estranged, or cooled. Since the start of the 1980's, China's relations with the five East European countries have been warming up. Wide-ranging development in the economic area was followed by contacts between high levels in the political field. In September and October last year, Wojciech Jaruzelski, first secretary of the Central Committee of the Polish United Workers' Party and chairman of the Council of State, and Erich Honecker, general secretary of the Socialist Unity Party and chairman of the Council of State of the GDR, successively visited China, enabling a breakthrough to begin taking place in relations with these countries. Since the beginning of this year, Ferenc Havasi, Politburo member of the Hungarian Socialist Workers Party and secretary of the Central Committee; Dr Luhomir Strougal, member of the Presidium of the Central Committee of the Communist Party of Czechoslovakia and premier; and Todor Zhivkov, general secretary of the Central Committee of the Bulgarian Communist Party and chairman of the State Council, also successively visited China. This opened a new page in China's relations with the five East European countries.

People note that China and the five East European countries have different circumstances and also have different view on certain problems. But at talks between top-ranking leaders, it is generally held that this will not constitute an obstacle to the further expansion of friendly cooperation. On the successful visits by the five East European countries, Zhao Ziyang said clearly that China's party and government relations with the five East European countries had been all normalized, with the start of a new period of historical development.

In the second part of May, Comrade Kim Il-song, secretary general of the Workers' Party of Korea and president of the DPRK, received the highest level of reception on his visit to China, giving expression to the deep friendship between China and Korea as two close neighbors.

This year, the Korean people are in a struggle for the realization of the great goal of the Third 7-Year Plan. [paragraph continues]

Meanwhile, they are working perseveringly on promoting the autonomy and peaceful unity of the Motherland. In his talks with President Kim Il-Song, the Chinese leader spoke highly of the tremendous achievements scored by the Korean people in socialist construction. He said that China will always support without fail the Korean comrades in their energetic efforts to relieve the situation of the peninsula and realize peaceful unity. President Kim Il-Song's visit to China further deepened friendship and unity between the two parties and two governments of China and Korea and their peoples.

China is one of the Third World countries. The strengthening of unity and cooperation with other Third World countries is an important component of China's foreign policy. Of the visitors to China in the first half of this year, most were from Third World countries.

Among those from Africa were leaders and top-ranking government officials of Ethiopia, Zimbabwe, Uganda, Gabon, Cameroon, Mozambique, Tanzania, Morocco, Congo, Gambia, and other countries. Beginning from 21 May, Wu Xueqian, state councillor of China and concurrently minister of foreign affairs, also visited the seven countries of Kenya, Zambia, Zimbabwe, Mozambique, Tanzania, Algeria, and Ivory Coast.

China's relations with African countries have all along been quite good. In talks with visiting leaders from various countries of Africa, the Chinese leaders expressed the Chinese government's concern over unity and cooperation among African countries and their development. Meanwhile, they were also extremely concerned over the grim economic situation confronting the people of various African countries. As to some conflicts and disputes between some countries and areas in Africa, China hoped that the countries concerned could seek peace through consultations, or bring about a solution through peace negotiations. In talks with the leaders of African countries, the Chinese leaders also said that they would resolutely support the struggle for independence of the Namibian people and the just struggle of the African people in the South in their fight against apartheid.

Being situated in Asia, China has energetically promoted the development of good neighborly relations and friendly cooperation with various countries in Asia. After concluding his visits to the five East European countries on 21 June, Premier Zhao Ziyang visited Pakistan. Before this, Vice Premier Qiao Shi had successively visited Nepal, Burma, and Bangladesh. China hopes for the maintenance of peace and stability in the South Asian region and is against the Soviet Union's armed invasion of Afghanistan. It calls for the withdrawal of Soviet troops at an early date, so that the Afghan people can decide on the fate of their own country without external intervention.

During the visit of Crown Prince Wachiralongkon of Thailand to China, Chairman Deng Xiaoping had personal talks with him. Apart from the emphasis by both sides of the need to strengthen relations of friendly cooperation, Chairman Deng Xiaoping also praised Thailand for its contributions in stabilizing the Asian situation and supporting the Kampuchean people's struggle. In many situations, Chinese leaders have made known China's consistent stand: Opposition to Vietnam's invasion of Kampuchea and support for the three elements of the Coalition Government of Democratic Kampuchea and the people of their just struggle against Vietnamese aggressors.

The Middle East problem is still one of Asia's "hot points." Of the visitors to Asia from the region of the Middle East, there were: Vice President 'Abd al-Halim Khaddam of Syria; Chairman of the Council of Ministers Nu'man of the People's Democratic Republic of Yemen; Minister of State for Foreign Affairs 'Abdallah 'Ali Rashid al-Nu'aymi of the United Arab Emirates; an official delegation from the PLO, and so forth. In talks with them, Chinese leaders not only stressed China's desire for the development of relations of friendly cooperation with the Arab states but expressed extremely great concern over the Middle East situation. They pointed out with emphasis that China opposes Israel's policy of aggression and expansion and sympathizes with and supports the just struggle of the Arab and Palestinian peoples. China's attitude toward the Iran-Iraq war is one of maintaining strict neutrality and actively promoting peace talks. In meetings with Nu'man and al-Nu'aymi, Zhao Ziyang expressed a similar wish: China sincerely hoped that there would be an end to the Iran-Iraq war. It also hoped that through peace negotiations, Iran and Iraq would solve the differences and disputes between them in a fair and reasonable manner. The Chinese Government will keep making efforts toward the realization of this goal.

There is ceaseless development in the relations between China and Latin American countries. On 6 February, China established diplomatic relations with Belize. Prime Minister Manuel A. Esquivel of Belize went to China in April for an 8-day visit. In the first half of this year, a relatively great number of leaders of the Latin American Council visited China. There were: the Panamanian Legislative Assembly delegation led by Legislative Assembly member Diaz; the Colombian Senate delegation led by the president of the Senate; Garrett, chairman of the Bolivian Congress; and so forth. In meetings with these guests, Chinese leaders expressed a sincere wish for the development of relations of friendly cooperation with Latin American countries on the basis of the Five Principles of Peaceful Coexistence. Meanwhile, they also expressed support for the Contadora Group's idea on the solution of the Central America problem. China and Panama have not yet established diplomatic relations, but with an increase in exchanges in various fields, a positive effect will be produced on promoting relations of friendly cooperation between the two countries.

This year is the 15th anniversary of the normalization of diplomatic relations between China and Japan. In the first half of this year, there was an endless stream of Japanese friends visiting China. Now, there has been considerable development in the relations between China and Japan in various fields. Meanwhile, some problems that are worth noting and in need of being solved have appeared. One of them is the Kokaryo incident. On 27-28 June, the 5th conference of members of governments of China and Japan was held in Beijing. Through a frank exchange of opinions, both sides increased their mutual understanding. But there has been no full agreement on some problems between the two countries. There is a need to continue exchanging opinions and to take effective measures as quickly as possible to bring about a satisfactory solution.

In meeting with personnel of the Japanese side attending the recent conference, Deng Xiaoping made the following assessment of the state of Sino-Japanese relations. Despite development in exchanges between the two countries, things have not proved very satisfactory to people. Japan can and should exert more efforts, for that matter. He hoped that the two sides, China and Japan, would take a long-term point of view in handling relations between the two countries and properly taking care of some unpleasant things. He stressed that China would not change its policy of being friends with Japan for all generations to come. [paragraph continues]

This speech by Deng Xiaoping represented a relatively comprehensive statement by Chinese leaders in their efforts made in connection with the current problems in the relations between China and Japan. It made known China's stand and policy in developing Sino-Japanese relations.

Since the introduction of the policy of opening up by China, there has been rapid development in China's cooperation with various West European countries in political, economic, cultural and other fields. After the signing of the Sino-British Joint Declaration on the Hong Kong issue, the governments respectively represented by Chinese Premier Zhao Ziyang and Portuguese Prime Minister Anibal Silva officially signed in Beijing on 13 April this year a joint declaration on the Macao issue.

Between China and Western Europe, identical or nearly identical views exist on a string of major problems. Both China and Western Europe sincerely hope for peace and disarmament and are devoted to domestic economic development and the promotion of international exchanges. Exchanges of visits between the leaders of China and West European countries have deepened understanding, promoted friendship, and stimulated cooperation. Of the visitors in the first half of this year, there were: Swedish Prime Minister Ingvar Carlsson; Alfonso Guerra, deputy secretary general of the Spanish Socialist Workers' Party and deputy prime minister of the government; Prime Minister of the Netherlands Ruud Lubbers; Chairman of the Belgian Socialist Party (Parti Socialiste) and former Deputy Prime Minister Guy Spitaels; French Minister of Foreign Affairs Jean-Bernard Raimond; and so forth. West German Chancellor Kohl also visited China on 12 July.

U.S. Secretary of State Shultz may be considered the first important official from Western countries to have visited China this year. This was the third visit to China by Shultz in the past 4 years. In May this year, a Chinese government delegation with Vice Chairman of the Central Military Commission Yang Shangkun as its head visited the United States. Since the release of the joint communique, Sino-American relations have maintained the momentum of continuous development.

The United States has now become China's third largest trading partner. The volume of trade between China and the United States in 1986 reached \$7.33 billion. Private U.S. investment in China also showed an obvious increase. It was only \$130 million in 1983, and rose to \$1.5 billion in 1985. In 1986, the amount of U.S. investment in China based on agreements was \$2.7 billion, the largest among foreign investors in China. But given restrictions imposed by the United States on China's commodities, China's trade deficit with the United States has been quite large. The United States has also imposed controls over the transfer of technology. This has made things difficult in the matter of economic exchange. The Chinese side hopes that the United States will not use trade protectionism to restrict the entry of China's commodities into the U.S. market. Meanwhile, it is hoped that it will raise the level of liberalization concerning the transfer of technology to China and further stimulate an increase in Sino-U.S. trade.

A problem that has stood out in the process of developing Sino-U.S. relations is the Taiwan issue. A small number of people in U.S. political circles have openly said things in support of "Taiwan's independence" and "self-determination for Taiwan." This is against the principle of "one China" based on the Sino-U.S. joint declaration. On 18 June this year, an amendment on the so-called problem of human rights in China and an amendment on so-called China's encroachment on human rights in Xizang passed by the U.S. House of Representatives represented a gross intervention in China's internal affairs, arousing strong indignation among the people of China. [paragraph continues]

These speeches and acts do not help in the smooth development of Sino-U.S. relations. During Yang Shangkun's visit to the United States, U.S. leaders said that in line with the principle of the many joint communiques between the United States and China, the United States would develop relations of cooperation with China and promote the steady development of relations between the two countries. Yang Shangkun stressed that adherence by the two countries of China and the United States to the principle of the joint communiques in practice will help stimulate the sustained, healthy and steady development of relations between the two countries.

Concerning Sino-Soviet relations, the Sino-Soviet border talks resumed, from 9 to 23 February, after an interruption of 9 years. Both had serious and frank talks with each other. Both sides agreed through talks to discuss the alignment of the entire Sino-Soviet borderline and to start with the eastern section of the borderline. The 10th round of Sino-Soviet talks was also held in Moscow from 14 to 20 April in a serious and frank atmosphere. Both sides discussed in depth the problem of normalizing Sino-Soviet relations, the problem of regional conflicts and some other problems of mutual interest, reaffirming the wish for the further improvement and development of relations between the two countries.

There has been great progress in Sino-Soviet relations in the economic field. In 1986, the volume of Sino-Soviet trade reached 9.49 billion yuan. On 2 March this year, the 1987 Sino-Soviet trade protocol for the exchange of goods and payment was signed in Moscow. In May, Vice Premier Yao Yilin went to Moscow to participate in the annual Sino-Soviet economic, trade, and scientific and technical cooperation talks. He said that based on the Five Principles of Peaceful Coexistence, China is willing to establish, maintain and develop good relations with various countries of the world, including the Soviet Union. China sincerely hopes for the elimination of obstacles and the realization of normal Sino-Soviet relations as early as possible.

Observers here believe that Sino-Soviet relations at present may be summed up in two lines. There has been considerable development in economic relations. There is no substantial progress in political relations.

ROUNDUP VIEWS UN EFFORTS FOR PERSIAN GULF PEACE

OW081415 Beijing XINHUA in English 1350 GMT 8 Aug 87

["Round up" UN Continues Efforts to Implement Security Council Resolution on Gulf (by Qian Wenrong)" -- XINHUA headline]

[Text] United Nations, August 7 (XINHUA) -- In recent days, UN Secretary-General Javier Perez de Cuellar has been having intense contacts and consultations with Security Council members as well as Iranian and Iraqi permanent representatives for an early implementation of the council's resolution on the Gulf War and relaxation of tension in the region.

The resolution adopted unanimously by the 15 members of the council on July 20 calls on Iran and Iraq to declare an immediate ceasefire, to withdraw all their troops to internationally recognized boundaries and to settle their disputes through negotiations.

Now, messages and documents on the Gulf situation are piled up on the desk of the secretary-general, who is focusing on the solution of the war. According to U.N. officials, Perez de Cuellar has met with representatives of the five permanent members of the council, the representative of Federal Germany, who is the president of the council for this month, a number of non-permanent representatives and representatives from Iran and Iraq to discuss ways for implementing the resolution.

In his meeting with Iranian permanent representative Said Rajai'e Khorassani, the secretary-general urged the Iranian Government to make a formal reply to the resolution as soon as possible. In his letter to the secretary-general on July 22, Iranian Foreign Minister 'Ali Akbar Velayati said that his government will "carefully consider" the details of the resolution and the position of the Iranian Government "will be declared in detail." The Iraqi Government has already formally informed the secretary-general of its willingness to cooperate with him in implementing the resolution.

At the same time, the permanent representative of Federal Germany recently made private contacts with Security Council members and representatives of Iran and Iraq. Federal German Foreign Minister Hans-Dietrich Genscher said earlier, his country will take the opportunity of its month-long presidency of the council to seek the quick implementation of the resolution.

However, U.N. officials and diplomats here believe that a lot of problems have to be solved before implementation of the resolution. A diplomat from a Western European country who asked not to be identified said differences over how to implement the resolution still exist among the parties concerned.

It was learned here that Iran is interested in the provision of the resolution on investigation of the responsibility for starting the conflict and hopes the secretary-general will form an investigative group soon, while Iraq holds that the resolution should be implemented as a whole for reaching a compromise settlement.

The Western diplomat said among members of the Security Council there are also different views on the process of further consultations for implementing the resolution.

One major power held that the consultation should first be limited among the five permanent members while some others believe that since the resolution was adopted by the 15 members of the council the implementation of the resolution also should be conducted among all members. Although the five permanent members shoulder a special responsibility for maintaining international peace and security, their endeavour must be consistent with the important principle that the Security Council is an organic whole. The permanent members should consult with the other members of the council on an equal footing and cooperate with them closely.

On the process of implementation, the resolution asked the secretary-general to consult with the warring parties for making necessary arrangements in implementing the resolution. But the United States told the press within a few days after the adoption of the resolution that "the United States has said it is likely to present a resolution within two months to impose an arms embargo." It was learned that the U.S. permanent mission to the United Nations is now busily lobbying for the purpose.

A Western European representative said that the secretary-general needs time to consult with the parties concerned for the implementation of the resolution. A deadline should not be set and it is too early to talk about sanctions.

A senior diplomat from Latin America also said that now it is important to give the secretary-general sufficient time for mediation, seeking an appropriate way for implementing the resolution.

As for China, the spokesman of the Chinese Foreign Ministry has told the press in Beijing last Wednesday that if the resolution fails to be implemented, and if most members of the Security Council consider it necessary to start a discussion on measures to ensure its implementation, China will be ready to participate in such a discussion.

The situation in the Gulf is getting intense and explosive because of the recent U.S. military buildup in the region for escorting reflagged Kuwaiti tankers and the recent Mecca blood conflict in Saudi Arabia.

The international community is eager to see the early, complete implementation of the U.N. resolution, whereby the two Islamic countries could put an end to the 7-year-old armed conflict as soon as possible and peace be restored to the Gulf region.

COLUMN DISCUSSES U.S. COMPUTER SALES TO CHINA

HK071128 Hong Kong TA KUNG PAO in Chinese 7 Aug 87 p 2

["Political Talk" column by Shi Chun-yu (2457 0689 3768): "United States Approves Export of Computer Equipment for Military Aircraft to China"]

[Text] A Contract That is Worth \$240 Million [subhead]

According to a report by the U.S. newspaper THE WALL STREET JOURNAL, the U.S. Air Force has approved a contract proposed by an airplane manufacturer to export electronic modules to China. The modules will be used to equip China's new-type "Jian-8" fighter planes. The whole contract is worth over \$240 million. A spokesman for the Air Force said: "The electronic systems sold to China this time are comparable to the technical modules for F-16 fighters." As everybody knows, F-16 is one of the most advanced fighter planes of the world. So, it is obvious to all that China's fighter planes will become more powerful if equipped with these modules.

It is said that this is the biggest contract of military equipment sales that the U.S. Government has ever concluded with China. The completion of this transaction will serve as a beginning for China to introduce on a large scale military technology and equipment from developed countries to speed up its modernization of national defense.

Actually why did President Reagan, who has been known for his anti-communist and conservative stand, agree with a more relaxed policy on export of sophisticated technology to China?

A Strong China Will Be Favorable to Stability in Asia [subhead]

To be sure, China will not ally itself with the United States, and the United States would never expect such an alliance either. However, nowadays, the whole world has realized China's independent foreign policy, its desire for peaceful coexistence with other countries, and its role as a guardian of peace in Asia. With its national defense reinforced, China will serve as a stronger peace force in the region.

China will never be a threat against the security of its neighbors and will never invade others even if it gets stronger. Today's China will not "export revolution" as it did in the past when it was actuated by "ultra-left" slogans or influenced by the Soviet Union. At present, some Third World countries are openly stirring up revolution to overthrow foreign governments. Although China has not publicly denounced such activities, it actually does not agree with them, since it is up to the people of a country to select a system for themselves and nobody is entitled to meddle in their affairs.

China Is Influencing the World [subhead]

China is influencing the world, especially the Third World, with its actual deeds.
[paragraph continues]

If a country which has undergone a successful revolution fails to devote most of its energy and resources to the rehabilitation of its economy and make every effort to improve the people's livelihood, then it will after all reap what it has sown. Today's Vietnam is a living example. Vietnamese "boat people" are now fleeing everywhere, bringing humiliation upon the Vietnamese state and nation. And Vietnam's gains of revolution were thus ruined by the Le Duan clique. The Vietnamese have now seen clearer and clearer the disastrous results of unjust military ventures and export of revolution.

The United States and Western Europe Are Willing To Assist China in its Development
[subhead]

Nearly 38 years have passed since the founding of the PRC. However, for a full 20 years, under the direct guidance of a "leftist" erroneous line, China has been severely harmed in successive political movements. Twenty years, which equals the time that is needed for bringing up a generation, is not a short span. Drawing a bitter lesson from this experience, the CPC and all the Chinese people have resolutely forsaken the wrong line but firmly upheld the reform and opening up policy. In the past 8 years, the opening up policy has brought about marvellous changes in China and has had great impact on the world. On the one hand, it has changed the military and political balance of the world. On the other hand, due to constant economic growth, China is presenting to the world a promising new vast market, a favorable factor to the prosperity of world economy.

The United States, Western Europe, and Japan all want to see political stability and economic prosperity in China. In extending aid to China, they will be strengthening the force of peace in the region. And, at the same time, China's achievements, a result of repudiation of the "ultra-left" policy, will serve as a showcase for other Third World countries.

AGREEMENTS REPORTED AT SOVIET BORDER TALKS

HK090054 Hong Kong TA KUNG PAO in Chinese 9 Aug 87 p 1

["Special Dispatch": "Initial Substantive Probing in Second Round of Sino-Soviet Border Talks"]

[Text] Beijing, 8 Aug -- The Chinese and Soviet Government delegations held their second round of border talks in Beijing today. This is taking place in August as planned, following the first round held in Moscow in February. The delegations are headed as before by Qian Qichen and Rogachev.

This second round of talks will last about 2 weeks. The Soviet delegation headed by Rogachev consists of 18 persons. Speaking on the goal of these talks on his arrival in Beijing yesterday, Rogachev said, we are prepared to continue substantive discussions, but it is too early to say whether these will be fruitful. This round of talks will consist of substantive discussions on the eastern border region, and especially on demarcating the boundary along the Heilong Jiang and Wusuli Jiang.

These talks are being held against a background of a turn for the better in relations between the two countries.

According to informed sources, it is reported that the two sides have reached agreement in principle on opening an air route between the border cities of Harbin and Khabarovsk. In addition, the two sides have agreed to open commodities exhibitions in these two cities. They have also agreed to simplify border entry and exit procedures for work personnel of the two countries.

Observers here believe that in order to speed up its economic reforms, the Soviet Union hopes to improve relations with China to work together in developing the border river basin. However, judging by what Rogachev said on his arrival in Beijing, these discussions will not deal with Cambodia. This shows that the Soviet Union wants to avoid the principle of the three obstacles between China and the Soviet Union in order to make some progress in material aspects.

ARTICLE ANALYZES KOKARYO INCIDENT, 'FRICTION'

HK090530 Hong Kong CHING PAO in Chinese No 8, 10 Aug 87 pp 34-36

[Article by Yi Bing, (Japan correspondent): "Japanese Rightists Create a 'China' and Accuse China; Major Analysis of the 'Kokaryo Incident'" -- capitalized passages published in boldface]

[Excerpts] Because of the Kokaryo [Guanghua] incident, Sino-Japanese relations are now "rapidly becoming cool." Not only the "three expressions and a half," that is, "the two countries are separated only by a narrow strip of water, our children and grandchildren, future generations, friendship!" which they used to say almost on a daily basis, can be heard no more, signs of friction and serious trouble are now observable.

Chinese leaders have sullenly reiterated that if the Japanese Government proves unable to adopt effective measures to resolve the problem of to whom the Kokaryo Dormitory belongs, the Chinese Government will be forced to adopt further retaliatory measures.

On the other hand, Japanese leaders simply "evade all responsibility," repeatedly saying that the Japanese Constitution explicitly states that "under the separation of powers, the administrative branch of the government cannot meddle with judicial matters" and that the problem can only be decided by Japanese highest court's rulings. [passage omitted]

As soon as the Kokaryo Incident became known, the Chinese Government immediately made known its attitude. It has repeatedly lodged protests with the Japanese Government. In addition, it has adopted some practical measures. It is reported that THE TOPMOST CHINESE AUTHORITIES HAVE DECIDED THAT IF THE JAPANESE GOVERNMENT CONTINUES TO OBSTINATELY CLING TO ITS COURSE ON THE PROBLEM OF THE KOKARYO DORMITORY, CHINA WILL NOT HESITATE TO TERMINATE THE RELATIONS BETWEEN THE TWO COUNTRIES. In addition, in late July, they conveyed this message to all party members, telling all localities and departments to HEIGHTEN VIGILANCE AND BE STRICT on all matters concerning Japan.

Why have the CPC authorities reacted so strongly to the problem of the Kokaryo Dormitory, which is a small dormitory after all? Obviously, the material value of the dormitory matters very little. This is a reflection of the principle to which the CPC has always adhered since its founding: China will never allow any foreign forces to interfere in its internal affairs. [passage omitted]

During the Kokaryo incident, neither the "Republic of China," the plaintiff, nor the "People's Republic of China," the defendant, was as active as Japanese extreme rightists. In uniforms identical in color to those of their defense forces and wearing riding boots, they rode in jeeps and large buses and turned the volume of their loudspeakers to the highest, frenziedly shouting the slogans "down with the CPC" and "Chinese go home." They have tried to stir up trouble and provoke the Chinese by surrounding the Chinese Embassy and friendship organizations and by trampling on the five-starred red flag.

It seems that Japan's highest court will not pronounce its rulings on the problem of to whom the Kokaryo Dormitory belongs in the near future. The tension between China and Japan will continue to exist until after the new Japanese prime minister has assumed office. Between now and then, the extreme leftists and extreme rightists in the two countries will take the opportunity to step up their activities and to make the stormy sea more stormy by trying to aggravate their differences. [passage omitted]

REPORT NOTES 'GOOD TREND' IN TRADE WITH INDONESIA

HK100330 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0939 GMT 6 Aug 87

[Report by Fang Yiqiang (2075 1150 1730): "Indonesia's Trade With China, Hong Kong and Taiwan Increases Rather Significantly"]

[Text] Jakarta, 6 August (ZHONGGUO TONGXUN SHE) -- The good trend in Indonesia's trade with the Chinese mainland, Hong Kong, and Taiwan continues. In this year's first quarter, Indonesia's exports to China averaged \$16 million monthly, and its exports to Hong Kong averaged \$33.5 million, both higher than the monthly averages in last year's second half. Indonesia's exports to Taiwan averaged \$26 million monthly in this year's first half, about the same level in last year's second half. There is also a good trend in Indonesia's import with China, Hong Kong, and Taiwan.

Our reporter learned from Indonesia's Ministry of Trade that Indonesia's import and export with China, Hong Kong, and Taiwan increased largely last year, particularly with China.

Last year, Indonesia's trade volume with China reached some \$476 million, an increase of 43 percent over 1985; its trade volume with Hong Kong reached \$439 million, an increase of 9 percent over 1985; and its trade volume with Taiwan reached \$725 million, an increase of 13 percent over the previous year.

Indonesia's main export to China is lumber, followed by fertilizer and crude oil. The volume of its exports to China reached \$140 million last year, a large increase of 65 percent over 1985. Its main imports from China are animal feed, edible oil, cotton cloth, textiles, chemical products, tools, medical instruments, and household necessities. The volume of its imports from China reached \$330 million last year, an increase of 35 percent over 1985.

The volume of Indonesia's exports to Hong Kong last year reached \$340 million yuan, a slight decrease of 0.8 percent over 1985, but the volume of its imports from Hong Kong increased to \$94 million from \$52 million in 1985, an increase rate of 80 percent. Indonesia's main exports to Hong Kong include sea foods, rattan, pepper, lumber, garments, and magnetic tape. Hong Kong's exports to Indonesia include cotton cloth, textiles, communication equipment, cosmetics, textile machines, leather processing machines, and other industrial machines.

Indonesia's main exports to Taiwan are lumber, crude oil, rattan, and coffee. The volume of its export to Taiwan reached \$316 million yuan last year, a decrease of 10 percent over 1985. The volume of its imports from Taiwan reached \$409 million, an increase of 40 percent over 1985. Its main imports from Taiwan include textile machines, leather processing machines, communication equipment, motorcycles, electronic machines, chemical products, and textiles.

An official of the Ministry of Trade pointed out that the volume of Indonesia's trade with China, Hong Kong, and Taiwan accounts for only 6.5 percent of its total trade volume. So there is still room for further development.

SOVIET UNION PURSUING 'BETTER TIES' WITH IRAN

OW092102 Beijing XINHUA in English 1742 GMT 9 Aug 87

["Soviet [Union] Seeks Better Ties With Iran (by Zhao Zhong)" -- XINHUA headline]

[Text] Cairo, August 9 (XINHUA) -- The Soviet Union seems to have started maneuvering for a Gulf balance by trying to improve relations with Iran following the U.S. dispatch of warships into the Gulf to escort reflagged Kuwaiti tankers.

Iranian Oil Minister Gholam Reza Aqazadeh announced Saturday that Soviet experts are due in Tehran this month to discuss plans for Iranian oil to go through trans-Soviet pipelines to Black Sea ports for export.

The announcement came in the wake of a Soviet spokesman's statement in Moscow Friday that the Soviet Union and Iran are negotiating the reopening of a gas pipeline and a possible second rail link.

Exporting Iranian oil and gas through Soviet territory would greatly benefit Iran's economy, at a time when the Gulf waterway, which is Iran's only oil outlet, and Iran's oil terminals in the Gulf are exposed to Iraq's air-raids.

The likely closer economic cooperation is seen as the first result of the visits to Tehran by Soviet First Deputy Foreign Minister Yuriy Vorontsov in June and July.

Iran had been angry with the Soviet Union leasing Kuwait three tankers in April with military escort, when Iranian leaders warned the Soviet Union of the risk of ruining Iranian-Soviet relations.

Moscow has currently deployed one frigate and three minesweepers in the Gulf.

A Soviet merchant ship was later reportedly attacked in the Gulf waters by Iran's armed motorboats. In addition, a Soviet tanker hit a mine in the same waters.

The first Soviet reaction to Iran's threat was tough, with Vorontsov declaring that "The Soviet Union is opposed to all those who directly or indirectly threaten freedom of navigation in the Gulf by bolstering their coastal military installations." "If Iran really attacks the tankers (rented by Kuwait from the Soviet Union), the Soviet Union would make response to it in accordance with the international laws and rights."

However, when Washington decided in late May to reflag Kuwaiti tankers and put them under U.S. Navy escort in the Gulf, the Soviet Union became sympathetic towards Iran's opposition to the U.S. military presence in the Gulf.

During his visit to Iran in mid-June, Vorontsov told his Iranian counterpart that "The Islamic Republic of Iran is capable of countering any aggression or attack against its soil." He criticized the U.S. provocation in the Gulf and its political and military maneuvers.

The official Soviet news agency TASS noted that "Mutual interest in further continuation and deepening of Soviet-Iran political contacts was reaffirmed."

ROUNDUP VIEWS U.S. ROLE IN CENTRAL AMERICA PLANS

OWO92100 Beijing XINHUA in English 1733 GMT 9 Aug 87

["Roundup: New Step Towards Central American Peace (by Hu Tairan)" -- XINHUA headline]

[Text] Guatemala City, August 9 (XINHUA) -- The Central American summit here last week ironed out differences and achieved an accord for peace for the region. Based on a peace proposal put forward by Costa Rican President Oscar Arias Sanchez, the accord calls for ceasefires within 90 days in the Nicaragua and El Salvador that are beset with civil wars.

Signed here Friday by the presidents of Nicaragua, El Salvador, Guatemala, Honduras and Costa Rica, the accord also calls for reconciliation between those governments and their opposition groups, steps to assure democracy throughout Central America, an end to outside aid to rebel forces and an end to the use of any country's territory by rebels trying to destabilize another country.

Under the accord, the foreign ministers of Central America will form an executive committee within 15 days to implement the provisions in the accord.

The agreement was reached by detouring contentious problem[s] such as disarmament and a ban on international military exercises. It is worth noting that the agreement provides for simultaneous ceasefires and democratization instead of the U.S. formula of democratization first and then an end to foreign military aid and ceasefire, or the Honduran two-phased proposal with democratization coming first and cessation of foreign military aid second.

Some observers say that the U.S. peace formula was meant to gain time for the Reagan administration to win a Congress approval of more aid to the contras this fall. The U.S. peace plan, advanced by President Ronald Reagan just three days ahead of the Central American summit, did upset the order of the foregoing foreign ministers' meeting. But the Central American leaders rejected the U.S. plan and kept their discussion to the Arias plan, which calls for ceasefires in Nicaragua and El Salvador, democratization in the regional countries and an end to foreign aid to the rebel forces.

However, the issues the summit circumvented are the very things on which the disputes among Central American states have been hinged. El Salvador and Honduras are dependent on U.S. military aid, Nicaraguan contras are resolved "not to lay down arms" unless their demands are met, Salvadoran guerrillas refuse to surrender their arms before negotiations with the Salvadoran Government, and Nicaraguan President Daniel Ortega demands the guerrillas lay down their arms before the agreement becomes effective.

All this will throw up stumbling blocks in the way of the accord. Still more noteworthy is the fact that U.S. Secretary of State George Shultz has announced U.S. rejection of the Nicaraguan offer to hold unconditional talks with Washington and his plan to visit Central America, which is expected to undercut the realization of the accord. Therefore, the Central American presidents left Guatemala with mixed feelings.

President Arias said, "All the achievements of the summit are only one step on the long road toward peace."

In his closing speech, Guatemala President Vinicio Cerezo said, "There is a long way to go to reach peace, but we are determined to overcome all barriers and win victory."

WATER RESOURCES MINISTRY OFFICIALS DISCIPLINED

OW071529 Beijing XINHUA in English 1450 GMT 7 Aug 87

["Four Cadres Disciplined for Serious Bureaucracy" -- XINHUA headline]

[Text] Beijing, August 7 (XINHUA) -- The Ministry of Water Resources and Electric Power has taken disciplinary measures against two government functionaries for serious bureaucracy.

A record of demerit was given to Qi Yongfa, and a warning to Liu Lianming, both vice-chairmen of the Zhengzhou-based Yellow River Water Conservancy Committee (in charge of taming the Yellow River).

"We have also asked He Zhanan and Meng Ruicai, two section leaders on the committee to leave their posts and confess their wrongdoings," a ministry official added.

According to the official, three years ago, He Zhanan and Meng Ruicai allocated, without approval, more than 1,463 cubic meters of timber and nearly 65 tons of steel used for taming the Yellow River to a local company, which in turn resold them at high prices for profits.

The two took alcoholic drinks and cigarettes as bribes from the buyer, a construction company which made a profit of 69,000 yuan by reselling the materials, the official said.

The committee got to know this case in July 1984 but did not begin to seriously handle it until June 1987 and submitted a report on the handling of the case on July 20 only after the Ministry seriously criticized the committee.

COMMENTATOR URGES OPPOSING BUREAUCRATISM

HK080252 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 8 Aug 87 p 1

[Commentator's article: "It Is Essential To Be Resolute in Opposing Bureaucratism"]

[Text] Some new greenery is now growing in the areas devastated by the great forest fire at Daxinganling. A fresh atmosphere is now reverberating in the field of China's political life -- an atmosphere of vigorously improving the leadership style and resolutely eliminating bureaucracy.

Starting with the State Council's dismissal of Minister of Forestry Yang Zhong, some leading cadres who have made serious bureaucratic mistakes have been dismissed or punished in other ways in all parts of the country. Leading cadres are rushing to the spot whenever a major accident occurs, to investigate and deal with the matter. There has been some improvement in the bureaucratic attitude of indifference toward the lives and property of the state and the people. The masses applaud and welcome this, saying: "Bureaucratism is in a panic! Leadership style has improved!"

We have consistently opposed bureaucracy for a long time, but without much effect; moreover it has grown more and more serious in some localities. What is the reason for this? [paragraph continues]

Because we are too full of tender feeling for bureaucratism. It has always been the case that someone who has made grave bureaucratic mistakes causing immense losses to the state and the people has been able to offset this by writing a confession; "never mind the losses, I will not be too hard on a good official." It may happen that certain people who have been bureaucratic to a serious degree might suffer some slight punishment, but the punishment is often utterly inadequate for the mistake, and there can be no comparison between the two. No wonder some people do not regard bureaucratism as anything important and like to wear this "common convenient hat." It even happens that certain mistakes that can by no means be ascribed to bureaucratism, such as abuse of power for personal gain, are also described as bureaucratism. This also fully shows that our struggle against bureaucratism is not resolute and forceful enough. Regarding this state of affairs, we should deal with a problem for what it is and should certainly not allow people to lightly "get past" under the hat of "bureaucratism." There is an ancient saying: "If rewards and punishments are not strictly meted out, government will fail." Failing to punish or lightly punishing or indulging serious bureaucratic mistakes constitutes the key to why very many things cannot be set in motion or done well.

"Is it being too severe to dismiss from his post someone who has made serious bureaucratic mistakes?" We say that without such severity, bureaucratism cannot be overcome, and a cadre contingent suited to the requirements of the modernization drive cannot be built. It is a firmly-held concept that a leading cadre can hang on in his leadership post forever, so long as he does not indulge in bribery and corruption or in a decadent life style. However, this is not a correct concept. We cannot just use the yardstick of morality to judge a leading cadre; rather, we should apply the yardstick of achievements and of practice. Practice is the sole criterion for testing truth, and it should also be the sole criterion for testing good cadres. There is no doubt that someone who has committed the crimes of corruption, bribery, and embezzlement and so on should be punished according to law. However the harm done by one serious bureaucratic mistake sometimes exceeds the harm done by 10 corrupt elements, so should it not receive the necessary punishment? It is not enough just to dismiss from their posts cadres who are in dereliction of duty; it is also necessary to hold them legally accountable. For some time, people have often stressed updating of concepts, and such updating of concepts is indeed essential on the issues of how to evaluate leading cadres and how to deal with serious bureaucratism.

Serious bureaucratism is very prone to arouse the masses' anger, and some people are often swayed by emotion and adopt anarchic methods to deal with bureaucratism. Far from effectively opposing bureaucratism, such behaviour causes great confusion and instability. This is certainly not the right way to oppose bureaucratism. We must rely on system and the law to oppose bureaucratism.

As Comrade Deng Xiaoping has pointed out many times, fundamentally speaking, to eliminate bureaucratism, it is essential to reform the political structure. One of the aims of political structural reform is to eliminate bureaucratism. However, political structural reform is an extremely complex item of social system engineering and is not something that can be completed in a short period of time. The tremendous task of the modernization drive will not allow us to sit and wait for the completion of political structural reform before eliminating bureaucratism, but instead demands that we wage resolute struggle against bureaucratism from now on. By doing so we will also be creating the necessary conditions for political structural reform.

It is correct and essential to eliminate bureaucratism by starting with the investigation and handling of major accidents. [paragraph continues]

However, it is far from enough to just stop at that. After all, there are relatively few cases of bureaucratism causing accidents, and moreover the harm done in such case is evident and seen by all, and the investigation and affixing of responsibility is not difficult. On the other hand, there is a great deal of bureaucratism that does not cause accidents, which is not so obvious and is easily overlooked; yet the harm this does to the cause of the party and people is certainly not less than that done by the bureaucratism that causes accidents. Bureaucratic behavior in indiscriminately giving the go-ahead for projects that cause great waste of manpower, material, and finances; bureaucratism in dealing tardily with violations of law and discipline; and bureaucratism that consists of being indifferent to the masses' woes and cries -- are not such things damaging our socialist cause every hour of every day? In addition, under certain conditions, bureaucratism that does not cause accidents can turn into bureaucratism that does. We must therefore establish the concept of fighting a general battle against bureaucratism.

We cannot do without political discipline and legal sanction, nor without supervision by the masses and the media, in eliminating bureaucratism. It can be predicted that the future political structural reform will certainly effect a great strengthening of this supervisory role. Media supervision has played a considerable role in the struggle against bureaucratism in recent years. However, up to now, this role has not been played in a timely and effective enough way. Certain comrades still have negative feelings and resentment regarding supervision by the media. In their view, publicly exposing and criticizing bureaucratism and other unhealthy trends will "blacken" our party and state. It should be said that this too is an incorrect concept. Boldly carrying out self-criticism is an essential characteristic for a serious Marxist political party.

Discussing the question of whether merciless self-criticism would provide weapons for the enemy, Engels said: "Malicious slander can of course be spread under any pretext, but generally speaking, such merciless self-criticism stuns the enemy tremendously and makes them feel what great internal strength a party has that can present such a gift!" Practice has proven that only by mercilessly exposing and criticizing the various abuses of bureaucratism can we remove the black spots and the dirt and truly add luster to our party and government.

With the serious handling of the Daxinganling forest fire as a new starting point, bureaucratism has come under yet another vigorous attack. The momentum of the past 2 months is encouraging. It is very good that "bureaucratism is in a panic." However, this is only a start; bureaucratism is far from eliminated, and we must certainly not relax our fighting spirit.

LOANS, SCHOLARSHIPS AVAILABLE FOR COLLEGE STUDENTS

OW081226 Beijing XIHNUA in English 0720 GMT 8 Aug 87

[Text] Beijing, August 8 (XINHUA) -- Newly enrolled college students this year will be eligible for scholarships and loans, according to today's "GUANGMING DAILY"

Quoting an official from the State Education Commission, the paper said that China has 1,054 schools of higher learning, with 1.9 million students.

The official pointed out that the old system of free education, whose essence was equalitarianism, failed to encourage advanced students. In addition, the state suffered a financial burden.

The implementation of the scholarship and loan system will make the students study partly at their own expense, develop part-work and part-study activities and encourage the students to study hard.

With the approval of the State Council, the State Education Commission and the provinces, municipalities and autonomous regions found that 85 pilot schools which had carried out the scholarship and loan system showed that the new system was basically feasible and enjoyed the support of the teachers, students and the students' parents.

To help poor students, the state will grant interest-free loans to them. The loans can also be paid by the units in which the students are to work after graduation. Then the units will deduct the cost from their salaries.

EDITORIAL EMPHASIZES IMPORTANCE OF FAMILY PLANNING

OW071419 Beijing XINHUA Domestic Service in Chinese 0744 GMT 7 Aug 87

[Excerpts] Beijing, 7 Aug (XINHUA) -- ZHONGGUO JIHUA SHENGYU BAO," [China News of Birth Planning 0022 0948 6060 0439 3932 5148 1032] carries editorial today, saying that the general situation of China's family planning task is developing in the direction the people have expected and that the situation is good. However, the development of the situation is not even. In some places people are still slackening in their efforts and letting things drift along. As a result, local population in those places is rising again, and effective control is still out of the question. The grim realities have reminded us that now is the time for us to resolutely stop slackening our efforts and stop letting things drift along.

This editorial, entitled "Resolutely Correct the Phenomenon of Slackening Efforts and Letting Things Drift Along," emphasizes that the key to correcting the phenomenon of slackening efforts and letting things drift along lies in a stable policy. Generally speaking, our family planning policy is being perfected, and while perfecting it we have always persisted in proceeding from realities and implementing the policy strictly and firmly. However, when some people interpret the family planning policy, they do not mention the overall situation or getting married and giving birth at a mature age. Neither do they mention that our principal policy is still advocating the one-child family. Instead, they talk about or accept only what interests them. [passage omitted]

The editorial says: Along with the deepening development of the urban and rural economic and political structural reforms, many new situations have appeared. For instance, floating population has greatly increased; the number of self-employed industrial and commercial households has greatly increased; grass-roots level political power has undergone reform, etc., etc. They all call on family planners to suit the needs in the new situation, propose new ways, and solve new problems. [passage omitted]

In conclusion, the editorial points out: It is also necessary to transform the backward areas. It is necessary to resolutely adopt effective measures to put an end as soon as possible to the passive state in areas and units which have been backward on a long-term basis. If backward areas become advanced, we will be able to gain the initiative to effectively control the growth of our population.

DENG XIAOPING INSCRIBES '7 AUG CONFERENCE' SITE

OW080853 Beijing XINHUA Domestic Service in Chinese 1029 GMT 7 Aug 87

[By reporters Fang Zhengjun and Duan Guijin]

[Excerpts] Wuhan, 7 Aug (XINHUA) -- As today marks the 60th anniversary of the "7 August Conference," the newly renovated "7 August Conference" Memorial Hall, located at 139 Hankou Boyang Street (originally 41 Sanjiao Street) in Wuhan City, is officially open to the public.

A horizontal board, inscribed with characters "Site of the 7 August Conference" written by Deng Xiaoping, member of the Standing Committee of the Political Bureau of the CPC Central Committee and chairman of the Central Advisory Commission, hung atop the door of the memorial hall.

Adhering to the views of historical materialism and principle of seeking truth from facts, the display in the memorial hall reflects the history of the conference and events surrounding it as they really are. With the newly-added pictures and brief biographies of all delegates to the conference and copies of some of the CPC's important documents before and after the conference, the display shows the conference's important position and role in the history of the CPC. [passage omitted]

Since its establishment on 7 August 1978, the memorial hall has already received some 260,000 Chinese and foreign visitors. Comrades Deng Xiaoping, Lu Dingyi, Li Weiham, and Fang Yi visited the hall on various occasions. [passage omitted]

WAN LI MEETS RAILROAD DIRECTORS REPRESENTATIVES

OW031113 Beijing XINHUA Domestic Service in Chinese 1028 GMT 1 Aug 87

[By RENMIN RIBAO reporter Zhang Guorong and XINHUA reporter Yang Like]

[Text] Beijing, 1 Aug (XINHUA) -- Vice Premier Wan Li said here today: The results of implementing the all-round contract system are great. Practice has proved that the all-round contract system is correct. It has developed productivity and increased labor efficiency. We must persist in it and further perfect it.

While meeting the representatives attending the national conference of railroad directors at Zhongnanhai's Ziguang Pavilion, he said: It is better to implement the contract system at an earlier date than at a later date, and small-scale contracts are inferior to the all-round contract system. The railroad all-round contract system should have its own characteristics. Each bureau, in accordance with its own circumstances, should develop its own characteristics and should not engage in uniformity and generalization; still less should it rush headlong into action. Instead, it should develop a multiform contract system. Railroad departments at all levels must understand new situations in a timely way, sum up their experiences and solve new problems. They must strive for railroad safety, punctuality, uninterrupted passage, and good service.

Wan Li said: In adopting the all-round contract system, railroad departments must handle well the trilateral relationship among the country, the enterprises, and the staff members and workers, and put society's benefits first. In this matter, the Ministry of Railways must take the lead and must set a high standard, set strict demands, and follow iron discipline.

During the meeting, Minister of Railways Ding Guangen gave an account of the situation since implementing the all-round contract system. He said: Since the implementation of the all-round contract system, the situation in railway production and construction has improved. In the first half of this year, the volume of goods and the number of passengers transported improved month by month. By June, we had accomplished over half of our assignments. The building of spiritual civilization has also obtained good results. Of the 198 outstanding key units, 186 have been named civilized units by the local governments. Advanced groups and advanced models have emerged in large numbers.

Wan Li said: Railways and society are as closely linked as silk and thread. Some of the problems now facing railway departments are old ones, and some are new problems caused by the all-round contract system. These new problems are mainly caused by a small group of people who, for the sake of the interests of a handful of people or individual benefits, ignore the interests of the nation as a whole. This wrongdoing could harm the reputation of the all-round contract system. We must take prompt action to solve these problems. Problems such as uncivilized unloading and loading, uncivilized treatment of passengers, arbitrary fare charges, arbitrary fare increases, collusion between staff members and outsiders to steal goods, and the use of railroad wagons and tickets for personal gain, if discovered, must be severely dealt with. We must not be excessively accomodating.

Wan Li pointed out: Railroads have a glorious tradition. The 3 million-plus staff members and workers are also good. It is a social necessity for the railroad enterprises to develop a diversified economy, but they must also improve administration, follow a good policy, draft legislation, do their best to provide the greatest conveniences for their passengers and cargo owners, and not infringe upon these people's interests. Railway enterprises should intensify education about work ethics among railway staff members and workers. At the same time, they should care for their livelihood, diligently improve their caliber, and transform them into leaders of reforms and of changing society's general mood.

TIAN JIYUN HEADS FIRE PREVENTION HEADQUARTERS

OW071246 Beijing XINHUA in English 1233 GMT 7 Aug 87

[Text] Beijing, August 7 (XINHUA) -- China has set up a central forest fire prevention headquarters headed by Vice Premier Tian Jiyun to strengthen leadership over nationwide forest fire prevention, reports today's "PEOPLE'S DAILY".

Li Changan, deputy secretary-general of the State Council, Gao Dezhan, minister of forestry, and Wang Shouren, deputy head of the operational section of the headquarters of the People's Liberation Army General Staff, were appointed deputy heads of the forest fire prevention headquarters.

It was set up with the approval of the State Council and the Central Military Commission following the worst forest fire at the Daxinganling in northeast China earlier this year. The headquarters is located at the Ministry of Forestry.

Other members of the headquarters include leading officials of the State Planning Commission, Ministries of Urban and Rural Construction and Environmental Protection, Public Security, Finance, Railways, Communications, Commerce, Civil Affairs and other state departments.

Forest fire prevention needs cooperation of people from all quarters of the country under the leadership of local people's government, the paper noted.

LI PENG AT HEBEI MEETING ON POWER DEVELOPMENT

SK070231 Shijiazhuang HEBEI RIBAO in Chinese 24 Jul 87 p 1

[Excerpts] The development of the province's power industry will be accelerated and will tend toward rationalization from the end of the Seventh 5-year Plan period to the Eighth 5-year Plan period. This piece of information was provided in accordance with the identical views of leaders and specialists who participated in the discussion meeting on "accelerating Hebei's power construction." The meeting was jointly sponsored by the provincial government and the Ministry of Water Resources and Electric Power in order to eliminate the phenomenon of lack of coordination in the construction of the power projects from the end of the Seventh 5-year plan period to the beginning of the Eighth 5-year Plan period. [passage omitted]

The meeting was held in Qinhuangdao from 18 to 23 July. Attending the meeting were leaders and specialists of the State Planning Commission, the State Economic Commission, the State Machine-building Commission, the Ministry of Coal Industry, the Ministry of Railways, relevant departments of the Ministry of Water Resources and Electric Power, the Northeast China Power Administrative Bureau, and relevant prospecting and designing institutes; and responsible persons of relevant departments and bureaus under the Hebei Provincial Government.

Song Shuhua, vice governor of the province, presided over the meeting. Huang Yicheng, vice chairman of the State Planning Commission; Yao Zhenyang, vice minister of Water Resources and electric power; and Wang Lin, former vice minister of water resources and Electric Power, in turn made speeches at the meeting. Xie Feng, governor of Hebei Province; and Ye Liansong, vice governor of the province, made speeches at the meeting. Sun Quozhi, chairman of the provincial People's Congress Standing Committee; and Guo Zhi, vice chairman of the provincial People's Congress Standing Committee, attended the meeting.

Li Peng, vice premier of the State Council, heard the reports and gave important instructions at the meeting. He pointed out: This meeting is an important one. Alleviating the strains on power supply is an important orientation of the current economic construction. [passage omitted]

PARTY, STATE, MILITARY LEADERS HONOR DEAD COMRADE

OW090440 Beijing XINHUA Domestic Service in Chinese 1204 GMT 8 Aug 87

[Excerpt] Beijing, 8 Aug (XINHUA) -- Ye Qingshan, former deputy director of the Logistics Department of the Beijing Military Region, died of illness on 11 July 1987, at the age of 83. A ceremony was held at the auditorium of Beijing's Babaoshan Cemetery for Fallen Revolutionaries to pay respects to the late comrade.

Xu Xiangqian, Nie Rongzhen, Wan Li, Xi Zhongxun, Yang Dezhi, Yu Qiuli, Yao Yilin, Qin Jiwei, Bo Yibo, Song Renqiong, Wang Ping, Li Desheng, Xiao Ke, Chen Xilian, Geng Biao, Ji Pengfei, Chen Zhihua, Hang Guang, Ye Fei, Liao Hansheng, Zhang Aiping, Kang Keqing, Dong Qiwu, Yang Chengwu, and Lu Zhencao sent wreaths. The CPPCC National Committee; the PLA General Logistics Department; the Ministry of Health; Beijing Military Legion; leading organs of Beijing, Hebei, Shanxi, and Nei Monggol; and the Chinese People's Association for Friendship with Foreign Countries also sent wreaths. [passage on Ye Qingshan's career omitted]

ZHANG AIPING ON ARMY MODERNIZATION, REFORM

HK100523 Beijing LIAOWANG in Chinese No 30, 27 Jul 87 pp 11-12

[Article by Qin Weidong (4440 5998 2639): "Zhang Aiping Talks on Army Modernization in the Course of Reform" -- dated 27 June 1987]

[Text] The Chinese People's Liberation Army, currently carrying out reforms and accelerating modernization efforts, is celebrating its own 60th birthday.

On the eve of the 60th anniversary of the establishment of the Army, Zhang Aiping, state councillor and minister of defense, met with this reporter and spoke on the reforms and modernization of the Army.

Zhang Aiping recalled the glorious journey undertaken by the Chinese People's Liberation Army since its birth at the Nanchang Uprising on 1 August 1927, and its growth from small to big, from weak to strong. He said: During the extremely difficult war of resistance against Japanese aggression and the war of liberation, our Army relied on the seizure of enemy weapons to arm itself, developed and reinforced itself, defeated the powerful enemies from abroad and at home, and seized political power in the country. Thus was brought to an end the humiliating history of the nonexistence of "national defense" in China, of its being willfully trampled upon, and of its backwardness and frustration for a long time in the modern period.

After the founding of New China, our Army made huge progress toward modernization and regularization. The Army became stronger, while the Navy, Air Force, and strategic missile troops were developed, and combined arms units of various arms and services were formed. The Army's weapons and equipment were constantly upgraded, large-scale regular training launched, and fighting capability greatly enhanced. The Army safeguarded the independence and security of the country, and continued to make new contributions to the people by taking part in socialist construction and in relief and rescue operations.

The Chinese People's Liberation Army's flesh-and-blood ties with the people and its illustrious military exploits won for it the love and support of the people of the entire country.

He added: At the same time, China set up its own national defense science and technology and war production system, and developed independently conventional weapons and equipment for the Army, Navy, and Air Force and strategic nuclear weapons.

The successful launching of the "two bombs and one satellite" (including geostationary satellites) made China one of the few countries in the world to master nuclear and space technologies.

Zhang Aiping said that while the building of our national defense and of our Army has achieved enormous results, the principal issue at present is still that of the conflict between the objective demands of modern warfare and the comparatively low level of the Army's modernization. Long in a state of war readiness and prepared at all times to engage in early fighting, large-scale operations, and fighting a nuclear war, our Army maintained a relatively large force which, in turn, affected concentrated efforts to develop weapons and equipment of an advanced level of technology, and widened the gap with advanced countries of the world. The Army's organizational structure and other systems were also not wholly suited to modernization attempts.

He believed that future warfare will be an integrated warfare fought under nuclear conditions from ground to space, from land to sea, and under the sea. The use of high technology weapons in warfare will gradually increase, while advanced, sophisticated technology such as microelectronics, precision guidance, laser, infrared, and stealth technologies will be applied widely. Electronics technology will also be used in guidance, control, communications, and reconnaissance systems. However, owing to the destruction brought about by the "Cultural Revolution's 10 years of domestic turmoil, in many aspects we lag behind the technically advanced countries of the world. We have to confront this reality squarely. We should resolutely adhere to the guidelines on reform and, in accordance with our country's special conditions, continue to renovate and strive to narrow the present gap with developed countries.

He said that as early as in 1975, Comrade Deng Xiaoping, then chief of staff of the Chinese People's Liberation Army, had proposed the strategic policy of large-scale reorganization of the Army. However, it was only after 1978, that this was seriously considered. The state regarded the strengthening of Army modernization efforts as an important factor in eliminating the effects of the "Cultural Revolution" and in restoring order in the country. In particular, the enlarged meeting of the Central Military Commission in 1985 decided that the guiding ideology on Army construction must undergo a strategic transformation, shifting its stand from a state of war readiness to engage in early fighting, large-scale operations, and fighting a nuclear war onto the path of overall reorganization and construction of the Army during peacetime. It decided to reduce the Army by one million men and to carry out structural reforms, streamlining, and reorganization.

China's implementation of a strategic shift in its peacetime national defense building does not signify in the slightest an easing up on the building of national defense and on the Army modernization drive. Zhang Aiping stressed that China's announcement of a reduction of its troops by 1 million men indicates the determination and sincerity of the Chinese people in upholding world peace. However, the current peace and stability in the world situation is relative, is fragile, and is a "peace permeated with the smell of gunpowder," and maintained under the balance of power between the two superpowers, the United States and the USSR. Since World War II, regional conflicts have not ceased even for a day. On the Chinese side, aside from the ongoing aggression of Vietnamese regional hegemonism, elements of insecurity also exist in other frontier areas. Hence, China can never weaken its own national defense forces but, instead, should strengthen the efforts to modernize national defense on the basis of a prosperous people and country. It is not only necessary to correct the previous state of constant war readiness, but also imperative not to think that "eternal peace" prevails, with "no external aggressors nor hostile neighboring states," and that it is time to "set aside the guns and swords and release the heroes."

He pointed out that implementation of the Army streamlining policy is a necessary path toward the Army's peacetime modernization drive. At present, we should do a better job of carrying out the structural reform, troops streamlining, and reorganization; improve the various regulatory systems; reform and reinforce school instruction and troops training; and enhance overall military administrative skills. We should stretch the limited military budget to make full use of it and emphatically and calculatedly strengthen the Army's modernization drive in a planned way, so that our Army's principal conventional weapons will be gradually brought up to the world advanced level. At the same time, we should gradually improve and upgrade our limited but effective nuclear retaliatory force. We should strengthen academic research in military affairs, keep abreast of world advanced technology, develop high technology, and gradually attain advanced levels in some aspects.

Zhang Aiping said that the level of modernization of national defense (including the Armed Forces) is the manifestation of the country's overall strength. Economic modernization is the foundation for modernization of national defense, and without a strong, modern economy, there can be no strong, modern national defense and Army. Only if the people and the country are prosperous can the country become strong. Hence, the modernization of national defense must be subservient to the overall interests of the country's economic construction, and must be coordinated with the development of the country's economy. However, a prosperous people and country do not instantly mean a strong country, but only create the conditions for a strong country. The transformation into a strong country still requires fairly enormous efforts, a lot of work, and a relatively long period of time before it can be accomplished. By designating the modernization of national defense as one of the four modernizations, our country has adequately handled the relationship between a prosperous country and a strong country. In the building of the four modernizations, each and every factor is interdependent, they interact with one another, and they cannot do without the presence of one of them. It is imperative that, at the same time as we are concentrating our efforts to carry out national economic construction, we should also allot suitable amounts of financial and human resources to strengthening the modernization drive of national defense and of the Army, so that the development of the economy and of defense can be coordinated and their growth mutually enhanced.

Zhang Aiping said contentedly that after 2 years; the reform and revitalization of the Chinese Army have achieved remarkable results. The task of reducing the troops by 1 million men has basically been completed, while the structural reforms and reorganization have achieved the necessary results. Our Army has made big strides toward sophistication, integration, and high efficiency.

Gearing themselves to the needs of future warfare and to reforms of the structure, content, and methods of instruction and training of the Army and in schools, national defense science and technology and the defense industry have emphatically and in a planned manner developed the research and manufacturing of advanced weapons and equipment. This will play an important role in our Army's modernization drive.

More emphasis and reinforcement are being given to academic research in military affairs. In recent years, research and discussion on many important issues in future warfare, the beefing up of national defense, and the Army have yielded several major achievements and played a definite role in policymaking by leaders at all levels. At the same time, not a few achievements have also been reaped in the implementation of the open door policy and in promotion of academic exchanges and cooperative ties with foreign armies. [paragraph continues]

Zhang Aiping praised the pioneering and "vigorous leading" role that academic research in military affairs has played in the modernization drive of national defense and the Army.

Finally, Zhang Aiping said hopefully that enormous results have been achieved in the reform of the Chinese Army. As long as we advance resolutely along the tried and tested path of success, are geared to the needs of the world and of the future, and continue to renovate and create, then the lofty goal of modernizing national defense and the Army will definitely be realized. Our socialist motherland will then have the mighty force to resist foreign aggression and safeguard its independence and security.

GUANGMING RIBAO EDITORIAL HAILS ARMY DAY

HK090646 Beijing GUANGMING RIBAO in Chinese 1 Aug 87 p 2

[Editorial: "Glorious Achievements, Heroic Army -- Warmly Celebrating the 60th Anniversary of the Founding of the Chinese PLA"]

[Text] Today is the 60th anniversary of the founding of the Chinese PLA. Cherishing a feeling of great reverence, we wish to extend our warm greetings to all commanders and fighters of the Army fighting on all fronts of national construction or in defense of the motherland! We want to salute the vast numbers of intellectuals who have made major achievements in building the People's Army and modernizing national defense!

All fruits of victory won by the Chinese people today and the whole course of the Chinese revolution are inseparable from the People's Army. During the period of democratic revolution, the Chinese people, under the leadership of the CPC and by relying on the People's Army, fought arduously for a long time and won the great victory of founding the New China in 1949. During the period of socialist construction, the Chinese PLA, a great army of heroes, has achieved signal successes admired by the people. Where there are hardships, there are the footprints of the PLA. In emergency rescue and disaster relief, the officers and men of the PLA always dash to the fore. In construction projects involving dangerous work, the PLA commanders and fighters always step forward to take on the work. In busy cities, PLA commanders and fighters patrol day and night. In border and remote areas, PLA commanders and fighters post guard duty. As Comrade Mao Zedong once said, the PLA is the lifeblood of the CPC and the Chinese people. In the past, the party and the people relied on the PLA to win the revolution. In the future, they will continue to rely on it to build and defend the four modernizations.

Ever since the 3d Plenary Session of the 11th Central Committee of the party, the People's Army has entered a new period of its building. During this new period, Comrade Deng Xiaoping, combining the universal principles of Marxism-Leninism with the concrete practice of Army building in our country, has made a strategic change in the guiding ideology for Army building and put forth the goal of "building our Army into a strong, modern, and regular revolutionary army," thereby bringing a new chapter on the building of the People's Army. Tremendous achievements have been made in building our Army into a modern and regular revolutionary army. The cadres have become younger in average age and raised their level of professional knowledge. The Army has reduced in size while improving its combat capabilities. The war industry has shifted to produce large quantities of civilian goods, thereby enriching the material life of the people. The development of Army academies and schools and the emergence of large groups of personnel capable of both military and civilian work have provided valuable strength for the modernization of the Army and the state. [paragraph continues]

The relations between the Army and the people have been cemented, and the active role played by the People's Army in socialist construction has become more prominent.

A very important link in building a modern, regular revolutionary army is that while improving the Army's political and ideological qualities, strenuous efforts must be made to enrich the Army's cultural and scientific knowledge and train better educated military personnel to meet the needs of modern warfare. "Knowledge is strength." Cultural knowledge is an immense, invisible fighting strength. The cultural level directly affects the military and political qualities of the Army. An army with better cultural quality can accept new military thinking more readily and apply new strategies and tactics more flexibly. In a modern, three-dimensional warfare involving many arms of services, cultural and scientific knowledge plays a more prominent role in determining whether a war is won or lost.

In the course of modernizing national defense, intellectuals both inside and outside the Army are burdened with glorious and arduous duties. Our party has always thought highly of the position and role of the intellectuals in Army building. During the period of democratic revolution, the People's Army consistently regarded the recruitment of revolutionary intellectuals as an important item in the cadres policy. During the War of Resistance against Japan, the Army, in an effort to implement the CPC Central Committee's decision on recruiting large numbers of intellectuals, issued special instructions urging various units to do their best to recruit local intellectuals and semi-intellectuals. With the purpose of "training military and political leaders to fight Japan and for national salvation," the Chinese People's Anti-Japanese Military and Political College went even further to recruit large groups of ardent educated youths from various parts of the country. The vast majority of these youths, after studying for some time, became backbone elements in political, military, and logistics work. During the period of socialist construction, a large group of intellectuals have joined the Army and contributed their strength toward building the Army and developing science and technology for national defense. A great number of outstanding personnel have emerged from among them. We may say that without the revolutionary intellectuals joining it, the People's Army could not have grown in size and strength in the past nor can it attain today the goal of building a modern, regular revolutionary army. During the new historical period of building the People's Army, the vast number of intellectuals, including those working in the Army and the locality, should carry forward the fine traditions, take solid action to participate in and support the building of the PLA, and contribute their share in training personnel capable of both military and civilian work, rousing the soldiers and civilians to jointly build socialist spiritual civilization, improving the cultural qualities of the PLA commanders and fighters, bringing up large groups of modern military personnel, developing the Army's modern weapons and equipment, promoting the Army's systematic scientific research, and building a modern, regular revolutionary army.

We heartily wish that the PLA, having covered a course of struggle over the past 60 years, will be imbued with still greater vitality, display its heroic spirit, and shoulder still more important historical tasks under the guidance of the ideology for Army building during the new period.

GU MU ON ESTABLISHING HAINAN SPECIAL ECONOMIC ZONE

HK090412 Hong Kong WEN WEI PO in Chinese 9 Aug 87 p 1

["Special dispatch from Haikou" by correspondent Kuang Yu (1639 1342): "Plan To Establish Whole of Hainan as a Special Zone; Gu Mu Comes South To Discuss Feasibility"]

[Text] This reporter has learned here that Hainan, China's second largest island, will become China's largest economic zone in the near future. Apart from enjoying various preferential treatment as a special zone, Hainan may be entrusted with provincial-level administrative powers.

According to well-informed sources, the central authorities are extensively soliciting opinions on the strategic plan to accelerate Hainan's exploitation and construction. It has been reported that State Councillor Gu Mu made an inspection tour of Guangzhou from 11 to 16 November 1986. One of the purposes of the inspection tour was to discuss the feasibility of setting up the Hainan special economic zone.

Hainan's existing administration is divided into the Hainan Administration Office (an agency of the Guangdong provincial authorities) and the Hainan Li and Miao National Autonomous Prefecture. To strengthen centralized leadership over Hainan's exploitation and construction, the Second Session of the Sixth NPC held in May 1984 decided to establish the Hainan Administrative Region, an administrative organ between the provincial and county levels, which will still be under the jurisdiction of the Guangdong provincial authorities. According to the PRC Constitution, it is within the functions and powers of the NPC to approve the organizational system of the provinces, autonomous regions, and municipalities. Therefore, the plan concerning Hainan will be examined by the NPC.

During his inspection tour, Gu Mu discussed the policies and measures to be implemented after the establishment of the Hainan special economic zone which will have fewer restrictions and be more preferential than those of the existing economic zones. He also discussed questions concerning laws for the Hainan special zone, how to properly allocate cadres and qualified personnel to form a new leading body, sources of materials and capital (foreign exchange), and imports and exports. A report will be submitted to the central authorities as quickly as possible. When the plan is drafted, it will be submitted to the NPC for examination.

The intention of the central authorities in establishing the Hainan special economic zone is to extend greater decisionmaking power to Hainan, a treasure island also known as "a pearl on South China Sea," make use of abundant local resources to accelerate its exploitation, extricate Hainan from its secluded, poor, and backward situation as quickly as possible, and create favorable conditions for attracting more foreign investment.

With an area of over 33,000 square km, Hainan is China's second largest island. Hainan is China's main tropical economic crops production base. It is abundant in mineral resources. Once the oilfield in northern Hainan and the three major oilfields in Yinggehai in the South China Sea, Beibuwan, and the Zhujiang Delta are exploited, they will bring about tremendous changes to Hainan's economy.

ECONOMIST QIAN JIAJU DISCUSSES ECONOMIC REFORM

HK100148 Beijing CHINA DAILY in English 10 Aug 87 p 3

[By staff reporter Wu Jingshu]

[Text] China is making headway in reforming its old industrial structure, but final success depends on a reform of the country's basic economic system, a leading Chinese economist said yesterday.

Qian Jiaju, top adviser to the State Economic Commission, told the fourth meeting of the Taiwan Alumni Association that separating business management from non-economic interference by government organs is the key to the success of the industrial reforms.

"And this will not be possible until China has reformed the current State economic structure and the related political set-up," he said.

Qian cited the widening gap between official and market prices of coal and steel, China's major industrial fuel and raw materials.

"Coal is not supplied to some key enterprises at the subsidized price of less than 30 yuan (\$8) per ton, while other enterprises have to pay many times more than that to buy it on the open market. Such a set-up makes fair competition impossible. How can an enterprise be responsible for its own profits and losses under such conditions?" he asked.

"We must continue to reform our industrial management, but such a reform should go side by side with an overall reform of the State economic structure, including the double-track price system," Qian said.

The Taiwan alumni, coming from the U.S., Europe and other parts of China to attend the annual meeting held in Beijing yesterday, also heard a report on the progress of China's economic reforms from Li Peng, a leading official of the State Economic Commission's Management Research Centre.

Li said most of China's State-owned enterprise[s] had adopted the director-responsibility system, which gives managers greater decision-making power.

This year the industrial reform has been marked by the widespread introduction of the management contract system, which lets managers sign a two-to-four-year contract to run the factory on his or her own while guaranteeing a fixed profit and tax turnover to the State.

Of the 7,814 major State-owned enterprises across China, 4,046 have been contracted to their managers. And most have shown better economic performance than before, Li said.

Pending a complete reform of economic organization, the manager contract system seems the most expedient way to speed up China's industrial reforms because it allows enterprises the greatest possible freedom to run their business in a market-oriented way, Li said.

COMMENTATOR'S ARTICLE ON RESULTS OF PRICE REFORM

HK090826 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 31, 3 Aug 87 pp 4, 5

[Commentator's article: "A Pool of Stagnant Water Becomes a Flowing Stream"]

[Text] The existence of constant prices for some 30 years has been halted, and old concepts and practices have been challenged since the State Council decided to raise purchase prices of agricultural products 8 years ago.

With the price reform, state guidance prices and market regulation prices have emerged separate from the unified prices in the national plan, and producers and consumers are facing a plural and active market.

Price reform started waves that lashed at the old economic control structure, affected the practice of enterprises, and stirred the hearts of 1 billion people. Hence, there has been much talk about it.

How should we look at the price reform in the past 8 years?

The need to carry out price reform is based on reviewing the old economic structure. As a party in power, the CPC has undergone an epoch-making change in which class struggle is no longer regarded as the key link, while economic construction has become the center and the development of productive forces the purport. It has done away with the "leftist" practice of the past and reaffirmed commodity production, introduced the market mechanism, and acknowledged the role of the law of value. Thus, the use of the price lever to start the economy moving is on the agenda.

China's price reform serves to resolve the following problems: to readjust irrational price structure, so that all production departments may obtain largely equivalent profit rates; to make prices reflect the demand-supply relation and to readjust demand and supply by lifting price control; and to form a socialist market system on this basis step by step. Therefore, we can see that reform has a peculiar significance in China and cannot be replaced by any other reform.

If price reform is indispensable, why has it come under attack? Has it brought some adverse consequences to the national economic development?

Practice is the sole criterion for testing truth. Over the past 8 years, the average annual growth rate of the national gross value of social product was 10.1 percent, that of the national income was 8.7 percent, that of the gross industrial and agricultural output value was 10.1 percent, and that of import and export volume was 17.3 percent. The growth in agricultural production, which is the most difficult to accomplish, is surprising in particular. In the same 28 years prior to 1979, the average annual growth rate was only 3.2 percent, while in the 8 years since 1979, it has been 9 percent. Viewing the actual accomplishments of the national economy, we cannot neglect the contributions of the price reform.

The contributions of the price reform to pushing forward economic development is also expressed in the unprecedented prosperity of China's market. [paragraph continues]

In the past 2 decades or more, China had always boasted of its "stable prices and brisk market." True, prices were stable, but the market was often not so brisk. The most striking evidence was the protracted rationing of daily necessities to the citizens and the state monopoly in the purchase and marketing of grain, cotton, edible oil, and sugar. Now, with the exception of grain and oil, the rationing of other articles has been abolished. The consumers now have a choice of commodities in the market, while factories and peasant households may purchase materials and equipment they urgently need from the market to boost production. The tertiary industry is developing quickly in both urban and rural areas throughout the nation. Over the past 8 years, the market in both the urban and rural areas has thrived; the average annual growth rate of the social retail sales volume was 15.5 percent, increasing by more than 100 percent from the 28 years in the past.

Therefore, it does not hold water to say that the price reform is a mess. Then, is it the rise in prices and the lowering of people's living standards that accounts for their complaints?

Prior to 1979, China pursued a policy of controlling prices on a constant basis, and even if there was some rise in prices, its scope was insignificantly narrow; meanwhile, it pursued the policy of "low wages and a high employment rate," with work requiring three men done by five. Compared with the condition prior to 1979, the national price index has risen by 35.8 percent in the 8 years after 1979.

But the fact is, with the rise in prices, wages have synchronously increased. Over the past 8 years, the average annual wage has risen by 120.3 percent; with the price rise factor taken into consideration, the actual growth in wages was 53.2 percent. Besides, employment opportunities have increased because the policy of "high employment rate" remains unchanged; the per capita income of the urban population has risen from 316 to 828 yuan; with the price rise factor taken into consideration, the actual consumption standard rose by 80.8 percent compared with 8 years ago.

The living standards of the urban population of more than 200 million have been improved, and what about the rural population of 800 million? Official statistics show that in 1978, the per capita annual net income of China's rural population was 134 yuan; by 1986, it had risen to 424 yuan; with the price rise factor taken into account, the per capita annual income rose by 160 percent. Therefore, the actual growth rate of the peasants' income is faster than that of the urban dwellers.

The price rise rate is slower than the income increase rate, still, there have been a good many complaints. This is precisely the lively situation in China today. We should say that it is not normal or possible for any country to carry out reforms without argument in society.

In the different strata of talks about price reform, we shall not deal here with those who are for it. Those who are against it or have some reservations might fall into two major categories:

One category of people has pointed out some areas being neglected or mistakes in the price reform, or made some demands to improve it because the reform has not reached perfection. A popular Chinese saying reads, "Turn a stone and you will invariably find hordes of ants." The price reform has precisely faced such a situation ever since it began. [paragraph continues]

We should understand that China had for a long time implemented a policy of freezing prices, which resulted in prices running counter to value and prices failing to reflect the changes in demand and supply. The problem was very conspicuous, and the contradictions very acute. Now that the problem is revealed, it will not be easy to clean up the mess. For example, the price ratio between industrial and agricultural products in China was irrational, and it was the same case with the price ratio between various categories of agricultural products, between basic industrial products and processing industrial products, between light industrial products and heavy industrial products, and between various categories of light industrial products. Such irrational practices took root in the irrational price structure, which was the major problem. The price reform has been going on for 8 years and become more rational, but there are still many irrational things. It will still take a very long time to make things basically rational through reform. It is simply natural that people talk much about the gains and losses of the price reform.

Another category of people have complaints about the price reform because of unequal benefits from price reform, while some of them have suffered some losses. Ordinary citizens talk most about the rise in the price of consumer goods. Although the state has raised wages and issued subsidies for the risen prices, while production units, state organs, and institutions have increased bonuses, there has been imbalance in rising prices between different urban and rural areas and between different trades and localities; some more, some less. And there has been similar imbalance in wages, subsidies, and bonuses. People in some units get more and others less. When people looked around and compared, they found it unfair and complained. Such a view is rather common. For example, compared with workers and peasants, or their acquaintances, cadres, party and government organ workers, teachers, and students find themselves working in units with nothing material to gain, and feel very unhappy about things. Besides, some enterprises have problems in production and operation, with very little increase in wages and bonuses; things with them are even worse than before, and their complaints are even greater and louder. Moreover, many complaints are directly spearheaded against arbitrary charges and price hikes and sale of shoddy goods as good-quality ones. All this belongs to the category of shortcomings in price control.

But what is bewildering is the fact that some people who have gained substantial benefits from reform are also complaining about the price reform, saying they would rather nothing had changed if prices should go up hand in hand with wages. Experts in social psychology believe that such nostalgia has put forward a new task for the price reform: People lack mental preparation for reform and are used to a steady life of low living standards.

If we look beyond people's complaints, what is most noteworthy in the 8-year price reform is that it has broken through the shell of the old structure and started the journey on a new way into the new world of commodity economy. Just like a pool of stagnant water, once a spring comes out from it its vitality and momentum will be eye-catching.

RENMIN RIBAO DETAILS EXPORT-ORIENTED ENTERPRISES

OW051225 Beijing XINHUA in English 1106 GMT 5 Aug 87

[Text] Beijing, August 5 (XINHUA) -- By the end of last June, 702 enterprises with foreign funds have been cited as export-oriented and technology-packed ones, making up 8.2 percent of the total number of foreign-funded enterprises in the country, the OVERSEAS EDITION of the "PEOPLE'S DAILY" reported today.

Among the listed export-oriented enterprises, those with investment from Hong Kong and Macao traders take the first rank, followed by Japan and the United States, the paper said.

Such enterprises are concentrated in light industry, as well as in textile and power industries and agriculture, forestry, animal husbandry and fisheries.

Also Hong Kong and Macao investors take the leading position in investment to technology-packed enterprises, such as in light industry, electricity, machine building, agriculture, forestry, animal husbandry and fisheries.

The above two kinds of enterprises are distributed in 20 provinces, municipalities and autonomous regions of the country, the paper said, noting that most of them are operational.

Preferences will be offered to those which have reached the standards the country requires, the paper said.

RENMIN RIBAO COMMENTATOR ON ENRICHING RURAL AREAS

HK100256 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 10 Aug 87 p 1

[Commentator's article: "China Cannot Get Rich Unless the Rural Areas Get Rich"]

[Text] Eight hundred million of China's 1 billion people are peasants. We can therefore say that China cannot get rich unless the rural areas get rich.

Must such a very simple and obvious truth still be put forward as an issue for discussion?

Yes. We put it forward not only as an issue but as a major issue related to overall national economic development strategy. There are profound truths behind this apparently simple question; and certain comrades have not understood or not truly understood these truths which appear quite simple.

We have suffered over this issue, because for a long time we failed to resolve properly the question of coordinated development of urban and rural economy; while the urban areas and urban industry were developing relatively rapidly, the backward state of the rural areas and agriculture did not change correspondingly, and there formed what is called in economic studies a "dual structure" with lack of coordination between the urban and rural areas and between industry and agriculture.

In the early post-liberation period, in accordance with the specific historical conditions, we decided on a strategy of giving priority to developing industry, with heavy industry first. Before long we built up a relatively complete independent and modern industrial structure, achieving successes acknowledged by the whole world. A considerable portion of the accumulation for industrial development came from agriculture. To a very great extent, this was unavoidable. Under conditions of imperialist blockades and virtually no foreign aid, we could only rely on our internal strength and our own efforts to raise the huge amount of capital needed for industrial development and to solve the problem; and an agricultural country with a very weak industrial foundation could only provide accumulation for initial industrial development by also relying on agriculture. [paragraph continues]

In economic development, it was in any case not possible for parallel advancement of the urban and rural areas and industry and agriculture, so some lopsidedness could be allowed for a period of time. The problem could not exist for long, since it would then cause serious imbalance between the urban and rural economy.

From the early post-liberation period to now, the agricultural portion of the country's total industrial and agricultural output value has dropped from about 70 percent to 30 percent, while the industrial portion has risen from about 30 percent to 70 percent. Generally speaking, this change is identical with the requirement of national industrialization. The problem is that apparently there has been no change in the proportion of China's agricultural population over the past 30 and more years and it is still as high as some 80 percent of the total; agriculture still lags far behind industry; and the peasants' living standards remain relatively low. In a process of true national industrialization, it is necessary to set up an advanced industrial structure to greatly raise the industrial component, and also to absorb a large agricultural population and simultaneously promote the modernization of agriculture. This is certainly not the case in China.

A population of 1 billion, 800 million of them peasants, represents a big constraining factor in China's national economy. If the 800 million peasants are required to make a livelihood by relying only on the limited agricultural resources -- mainly the land -- and we have a situation of "800 million peasants all growing food," it will be impossible to raise agricultural labor productivity or the peasants' income level, and the modernization of the rural areas and agriculture will be out of the question. And if the 800 million peasants are not yet well-off and the rural areas and agriculture are not yet developed, it will be impossible for society as a whole, including the 200 million urban people, to get rich. There cannot be genuine national industrialization either, not to mention that people rely on agriculture for their food, clothing, and so on, or that urban industry relies on agriculture for raw materials. Just consider the markets: If the hundreds of millions of peasants have little money in their purses and weak spending power, industrial products will be unable to find sales outlets. It is out of the question for industry to flourish if the markets for its products are narrow! Urban areas are urban areas and rural areas are rural areas; the coexistence of modern industry with backward agriculture not only affects rural development but also binds the urban areas like a rope. Unless this structural contradiction is overcome, China cannot reach its modernization goals.

The rural reforms that have continually developed in recent years have launched an effective assault on the economic structure in which the urban and rural areas are separated from each other. Encouraged by party policies, millions of peasants have set up enterprises and new businesses and production contingents have sprung up and are growing stronger by the day. The rural areas have embarked on a new road of comprehensive operations. The urban areas have opened the "city gates," and millions of peasants have entered the towns to seek employment. The urban areas are penetrating into the rural areas, and the interflow of capital, technology, manpower, and other key elements of production between the urban and rural areas is becoming more lively by the day. As a result of the flourishing of a multitude of trades in the rural areas and the interflow between the urban and rural areas, small towns have rapidly revived and developed like spring asparagus after rain. Very great changes have taken place in the urban-rural relationship as a result of 8 years of reforms. Although the present changes are only initial in terms of reaching the goal of resolving the structural contradiction between urban and rural development, we have already created a new situation and accumulated both positive and negative experiences. [paragraph continues]

These are favorable conditions for further readjusting the urban-rural relationship.

In our big socialist country with a population of 1 billion, the urban-rural relationship is the core issue in economic development. To readjust this relationship in the course of deepening the reform is an overall task of strategic significance which requires that time be taken in coming to a decision, and it is also urgent, requiring maximum effort and speed from all levels throughout the country. For various historical and social reasons, there remain rather great discrepancies between industry and agriculture and between the urban and rural areas, and these cannot be eliminated within a short period of time. However, we must change as soon as possible the serious imbalance in urban and rural economic development, which cannot be allowed to continue. We must have a sober understanding in this respect. It should be pointed out that quite a number of comrades have not yet understood this point; when making plans, formulating policies, thinking about problems, and doing things, they are often prone to neglect the rural areas and fail to attach importance to the status of agricultural economy and the raising of peasant incomes. Certain departments and comrades, seeing that the rural areas have developed relatively rapidly in recent years, have mistakenly thought that the rural areas are already well-off and that the policy of allowing people to rest and build up their strength is no longer needed. Even more mistakenly, for the sake of departmental or individual interests, certain people seize the chance of the reforms to stretch out their hands a long way and devise all kinds of ways to extract money from the peasants' purses and stuff it into their own. All of this indicates that the basic truth that "China cannot get rich unless the rural areas get rich" indeed is not understood or not thoroughly understood by these comrades. Proposing a discussion on this issue and understanding its profound significance is indeed extremely essential for correctly grasping the urban and rural reforms now under way, readjusting the urban-rural relationship, and ensuring steady development of the rural economy.

COMMENTATOR VIEWS RESPONSIBILITY SYSTEM

HK100853 Beijing JINGJI GUANLI in Chinese No 7, 1987, (undated) pp 16-18

[Article by JINGJI GUANLI commentator: "Deepen Enterprise Reform by Implementing the Responsibility System of Contracted Management" -- edited by Liu Qichang (0491 1496 2490)]

[Text] After the reform in the previous several years the enterprises have increased their vitality and the development of the national economy has been facilitated. However, at present many of the large and medium-sized enterprises owned by the whole people have not yet been truly invigorated. In the current deepening of the reform of the economic structure, the invigoration of large and medium-sized enterprises in order to fully display their potential is an important problem that urgently needs solution.

We should clearly understand an important point and this is that the large and medium-sized enterprises owned by the whole people have enormous potential which they can bring into the fullest play. In the case of certain of these enterprises that growth rate of their production, taxes, and profit has exceeded people's expectations. This alone illustrates the above point. For example, the Shoudo iron and steel company's realized profits amounted to 316 million yuan in 1981 and increased to 934 million yuan in 1984, averaging an annual progressive increase of over 20 percent. [paragraph continues]

During the same period, its pig iron output increased from 2.659 million tons to 3,259 million tons, steel output increased from 1.474 million tons to 2.157 million tons, and steel materials output from 0.996 million tons to 1.577 million tons. Again, in the case of the No 2 motor vehicles manufacturing plant, its realized profits were 220 million yuan in 1982 but increased to over 600 million yuan in 1985, an annual progressive increase of 48.79 percent; during the same period its motor vehicle production increased from 53,600 units to 91,500 units. Such a rapid development of these two enterprises exceeds many people's original expectations.

Indeed there are many instances of the enormous potential of the large and medium-sized enterprises that can be cited. In Beijing Municipality this year eight large and medium-sized enterprises headed by the No 1 machine tools plant enforced the responsibility system of contracted management of "two guarantees and one link." Comparing the results of their operations in the first quarter of this year with the corresponding period of last year, it was found that the various increases had been as follows: industrial gross output value, 12.1 percent; sales receipts, 30 percent; realized profits, 12.2 percent; realized taxes and profits, 30 percent; and delivery of taxes and profits, 10 percent. Many instances in other regions have amply illustrated the great potential of the existing large and medium-sized enterprises.

Just how is it possible to get the large and medium-sized enterprises to fully display their potential? This requires planning and working on various sides. Seen from the present, it is most important to intensify the enterprise reform and set up an enterprise management mechanism which integrates responsibility, power and benefits. Summarizing the experiences of the various localities in previous years, it is found that the responsibility system of contracted management is a relatively good method for displaying the potential of large and medium-sized enterprises owned by the whole people. At present, in the various localities, the responsibility system of contracted management enforced by the large and medium-sized enterprises owned by the whole people takes principally the following forms: 1) Two guarantees and one link. The two guarantees are, first, guaranteeing the delivery of taxes and profits, with the provision that those failing to fulfill the contracted targets must compensate with their self-owned funds, and, second, guaranteeing the fulfillment of the state approved technological transformation projects for the "Seventh 5-Year Plan." The one link refers to linking up the gross amount of salaries and wages with the realized taxes and profits. 2) Contracted progressive increases of delivery of profits to the state, this is, following payment of the products tax (or value added tax), the enterprise, on the basis of the fixed base figure for the upward delivery of profits, undertakes to annually increase the profit deliveries to the state according to a stipulated progressive increase rate. 3) Contracted responsibility for delivery of profits as per the base figure, any excess profits to be distributed percentagewise. That is, the base figure for an enterprise's delivery of profits is determined and the profits' excess portion will be distributed according to a fixed ratio or so distributed in separate lots. 4) Profits contracted responsibility or deficits contracted responsibility of enterprises making small profits or incurring deficits. After determining the base figure for the contracted responsibilities, any excess profits or reduced portion of deficit will be either retained by the enterprise or divided according to a stipulated ratio. 5) Input and output contracted responsibilities by industries and trades. Some enterprises within the industries and trades may also enforce the contracted responsibility system. In addition, in some localities the enterprise management responsibility system and the fixed assets management responsibility system are enforced. The former calls for payment of 55 percent income tax on the base figure profits and the rate of the income tax on the excess portion of the base figure profits is reduced to 30 percent. [paragraph continues]

The latter calls for the tender system to select the enterprise entrepreneur and the entrepreneur's benefits are determined by the amounts of the realized profits and the value increment of the fixed assets.

Why is the responsibility system of contracted management a relatively good method for bringing the potentials of large and medium-sized enterprises into full of play? This is because the system has the basic special features of a fixed contracted base figure, assured delivery of taxes and profits, retention of excess profits and self-replenishment of deficits. It is beneficial in realizing the suitable separation of ownership from management, and the close combining of the enterprise's responsibility, power and benefits; it can enable the enterprise to take a big stride forward in autonomously managing, and in being solely responsible for its own profits and losses, thus relatively and fully arousing the activism, enthusiasm and creativeness of the enterprises and the staff members and workers.

Tianjin and other localities have summarized the merits of the responsibility system of contracted management as the following: First, it conforms with the reform direction. Responsibility contracting takes the coordination and negotiation form in clarifying the relations between the state and the enterprise, enables the suitable separation of ownership from management, is beneficial in implementing the enterprise's decisionmaking power in production and management, to a definite extent reduces administrative intervention and creates the conditions for further separation of government from enterprise functions in the future. Second, it strengthens the stimulation mechanism. Responsibility contracting brings about an organic combination of an enterprise's responsibility, power and benefits, clearly determines the responsibilities, expands the power and interests, increases the benefits, and, as a result, can more fully arouse the enthusiasm of the enterprise leadership and its staff and workers. The third is that it makes the enterprise turn its eyes inward. Responsibility contracting makes the enterprise bear more risks; hence it becomes a sort of pressure, forcing the enterprise to deepen its internal reform, to speed up its track changing and pattern changing, to strengthen operation and management, and to carry out technological transformation. Fourth, it is beneficial to correctly handling relations between the state, the enterprise and the staff members and workers. Responsibility contracting directly links the income of the enterprise with that of the staff and workers with the tasks of fulfilling the state plan, forces the enterprise, along with developing itself, to make more and greater contributions to the state, makes the staff members and workers, along with being concerned with their individual interests, make more contributions to the state, makes the staff members and workers, along with being concerned with their individual interests, make more contributions to the enterprise. Fifth, it is in line with the enterprises' current management level. Responsibility contracting is simple and can be easily handled, can be readily carried out in enterprise management and the staff members and workers are generally glad to accept it. In particular, the responsibility system of contracted management can be readily combined with the double increase and double savings campaign, promoting each other's progress. The above summarization conforms with the actual conditions and possesses a definite and general significance.

Actual practices in the various localities have shown that the responsibility system of contracted management has many strong points, and that it can bring the potential of large and medium-sized enterprises into full play. Hence, at present there should be good leadership work and we should systematically promote and perfect the various forms of the system, making it an important task in deepening the reform of the economic structure. This is an important pre-condition, starting from our country's concrete conditions, to solving the various kinds of contradictions now and up to the "Seventh 5-Year Plan." [paragraph continues]

This is because through releasing and displaying the immense potentials of the enterprises by means of the responsibility system of contracted management, the state's fiscal receipts can be increased, the enterprise's accumulations can likewise be increased, the income of staff members and workers can be increased, and advantageous conditions can be provided for the further development of the reform of the economic structure. On the other hand, if there is no display of potentials, if the enterprises are not invigorated, if the increase in the staff and workers' incomes becomes difficult, and if state finance meets with difficulties and complaints from various sources, such as the enterprises, staff and workers, and the state, then economic development and reform of the economic structure will meet with all the more difficulties.

There are now certain contrary views regarding the system. Some quarters have expressed the view that the system requires the state and each and every enterprise to negotiate the contractual conditions and thereby cannot bring about the separation of government from enterprise functions and cannot comply with the demand of separation of the ownership right and the management power. They also contend that at the utmost the system can accomplish the feat of casting one eye on the market and casting another eye on the state and that it is difficult to build a management mechanism which integrates responsibility, power and interests. We recall that the Hungarian economist Korner divided economic structure into four different types according to its operation form, that is, I subscript A form of direct administrative coordination, I subscript B form of indirect administrative coordination, II subscript A form of uncontrolled market coordination and II subscript B form of macroeconomic controlled market coordination. Comrades holding to the above-mentioned views frequently based on the Hungarian economist's theories and believed the responsibility system of contracted management belonged to the I subscript B type, possessed many defects and was therefore suitable for universal application. In our opinion, these comrades' views are worthy of serious consideration. However, their disapproval of taking the enforcement of the responsibility system of contracted management as an important content in deepening the reform of the economic structure is based on insufficient ground.

First, in general the responsibility system of contracted management can truly be concluded as belonging to the I subscript B type. The I subscript B type definitely has various kinds of defects. However, a perfect type does not exist. A system or a measure is workable if under the current conditions it can achieve the stage of producing larger benefits than the defects and the responsibility system of contracted management can precisely achieve this point. Hence, we should not, merely because the system belongs to the I subscript B type, disapprove its universal adoption and promotion.

Second, the evaluation of the I subscript B type involves the question of a comparative standard. In comparing I subscript B with II subscript B, we find that theoretically speaking II subscript B is undoubtedly superior to I subscript B. This is because in I subscript B type, definitely there is no separation of government from enterprise functions, nor is there realization of the demand of the suitable separation between the ownership right and the management right and the defects of the weakening of budgetary control cannot be wholly healed. At the same time comparing I subscript B with I subscript A, that is, comparing the responsibility system of contracted management with the original economic structure, then I subscript B is definitely superior to I subscript A. [paragraph continues]

This is because in I subscript A type, there is entirely no separation of government from enterprise functions, basically no separation of the ownership and management and basically the budget restrictions on the enterprise cannot be tightened. On the other hand, in the I subscript B type, there is some separation of government from enterprise functions, some separation between the ownership and management and the budget's restrictions on the enterprise can be gradually tightened. Therefore, comparing the responsibility system of contracted management with the original economic structure, we can only admit that it is a relatively substantial improvement.

Third, the responsibility system of contracted management calls for the determination, household by household, of the contractual period and contractual conditions, including determination of the contract scope, the contract's base figures, and so forth. Moreover, during the contractual period the contractual conditions may also require readjustment. Hence, it is not subject to standardization and does not conform with the standardization demand we have conceived. Nevertheless, the problem lies in that it may require a rather prolonged period before the concept of standardization can be realized in our country. Be it the realization of the enterprise's autonomous management and being solely responsible for its own profits and losses, or the formation and perfection of a socialist market system, or the establishment of a mainly indirectly controlled macroeconomic management, it is an extremely difficult matter and its difficulties far exceed people's original expectations. And prior to the solution of these problems, the too-early demand for standardization is unrealistic. A wise choice is to determinedly enforce the various forms of the responsibility system of contracted management, to step up as soon as possible the displaying of the enterprise's potentials, and to increase the enterprise's stamina.

Finally, there are other suggestions on how to bring into full play the potentials of the large and medium-sized enterprises. For example some people advocate reforming the whole people ownership system to system of ownership by the enterprises; some comrades advocate the enforcement of the stock and share system while some other people contend that we should as soon as possible create the conditions for enforcing II subscript B type, and so on. Speaking from the standpoint of theoretical research, all these suggestions are well worth further probing into. However, it should also be seen that of these suggestions some have been proven unworkable by actual practices, some are still in the stage of theoretical investigations and still need to be further studied or tested, and still others lack the conditions for universal promotion for a stated period. On the other hand, actual practices in the localities and enterprises have proven the responsibility system of contracted management to have many strong points and to possess a relatively scientific theoretical basis and support. Hence, at present it is entirely workable to take the enforcement and perfection of the responsibility system of contracted management as an important measure in deepening the economic reform. Doing so and adopting all other necessary and workable measures to unveil the enterprises' potentials and to promote reform of the economic structure and economic development involve no contradiction.

JIANGSU'S HAN PEIXIN ADDRESSES SYMPOSIUM

OW100137 Nanjing Jiangsu Provincial Service in Mandarin 2200 GMT 9 Aug 87

[Excerpts] A symposium on strategies for Jiangsu's economic and social development was held in Nanjing on 5 August. Leading comrades from the provincial CPC Committee and the provincial government, and responsible comrades from provincial departments concerned and city governments, attended the meeting. [passage omitted]

Provincial CPC Committee Secretary Han Peixin and Governor Gu Xiulian spoke at the symposium.

WAN SHAOFEN ATTENDS MEETING ON JIANGXI BOOK

OW100507 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 8 Aug 87

[Excerpts] The meeting on the compilation of the Jiangxi volume in the collection about contemporary China ended today in Nanchang. The meeting called on the volume's writers in various departments and fields to apply the theoretical weapon of Marxism-Leninism-Mao Zedong Thought to scientifically sum up the experience and lessons learned by our province in socialist revolution and construction, and let readers see Jiangxi's tremendous achievements in socialist construction since the founding of New China, and the superiority of the socialist system. The committee for the compilation of the Jiangxi volume about contemporary China convened the meeting on 5 August. [passage omitted]

Wan Shaofen, secretary of the provincial party committee, attended the close of the meeting. [passage omitted]

SHANGHAI'S RUI XINGWEN VISITS GRASS-ROOTS UNITS

OW060935 Shanghai City Service in Mandarin 2200 GMT 5 Aug 87

[Excerpt] Rui Xingwen, Jiang Zemin, and other leading comrades of the municipal party committee and government went in separate groups to grass-roots units on the morning of 5 August to comfort the cadres and workers who continued to work at their respective posts despite the very hot weather.

Rui Xingwen, Huang Ju, and Wang Liping arrived at the (Yifeng) enamelware general factory, Shanghai, early in the morning. Rui Xingwen and the others went into the enamel-baking and design-spraying workshops, the two highest-temperature sections, to cordially comfort the cadres and workers who worked steadily in the high temperature by the furnace. Comrade Rui Xingwen asked the factory leadership to be concerned about the well-being of the masses of workers and earnestly implement various protective measures against summer heat. Someone should be available to take care of those working in high-temperature workplaces in case of need, he added. [passage omitted]

GUAN GUANGFU ADDRESSES HUBEI MEETING ON GRAIN

HK090237 Wuhan Hubei Provincial Service in Mandarin 0900 GMT 8 Aug 87

[Excerpts] A provincial on-the-spot conference on autumn sowing was held in Xiangfan City from 3 to 6 August. [passage omitted] Guan Guangfu, secretary of the provincial party committee, put forward important views on this year's autumn sowing. He stressed that Hubei Province can never take the grain issue lightly; otherwise, if grain output is relaxed, this will have an impact on the province's economic and social order and on the situation in reform and opening up.

Guan Guangfu pointed out that summer grain remains a weak link in the province's grain production. There are great potentials to be tapped in the summer-harvested crops. We must work hard on this issue for several years and strive to transform this weak link. [passage omitted]

Qian Yunlu, deputy secretary of the provincial party committee, took part in the meeting and delivered a speech on taking the overall situation into consideration and arranging this year's autumn sowing in the spirit of reform and opening up. Vice Governor Han Nanpeng attended the meeting and spoke at its opening. [passage omitted]

This year the province reaped a bumper summer harvest of grain and oil. Wheat, the major grain crop, produced a provincewide average yield of over 200 kg per mu, thus discarding its low-out label and achieving output level. This was a big breakthrough. [passage omitted]

The provincial party committee and government have initially decided that the province's total grain output next year should rise by 500 million kg over this year's level. The province should strive to raise summer grain output to 5.25 billion kg and an increase in yield of over 10 kg per mu. Rapeseed output should reach 500 million kg. [passage omitted]

NINGXIA SECRETARY VISITS NEI MONGGOL ON ANNIVERSARY

SK070418 Hohhot Nei Monggol Regional Service in Mandarin 2200 GMT 6 Aug 87

[Text] While our region is warmly celebrating its 40th anniversary, Shen Daren, secretary of the Ningxia Hui Autonomous Regional CPC Committee; and Bai Lichen, chairman of the autonomous regional People's Government, made a special trip to Alxa League to extend festive greetings to the local cadres and the people.

During their visit the Ningxia guests, accompanied by the leading personnel hosting them, viewed traditional Mongolian sports games.

Both guests and hosts noted that over the past 30 years, Nei Monggol and Ningxia have established a close fraternal and friendly cooperative relationship by learning from, supporting, and assisting each other, and by mutually achieving development in the program of building the two civilizations.

They pledged to further enhance cooperation and to make progress hand in hand in order to accelerate the pace of reforms and to build Nei Monggol and Ningxia into rich regions with unity and developed civilizations.

23 ARRESTED, CHARGED FOR PART IN HEILONGJIANG FIRE

OW071529 Beijing XINHUA in English 1431 GMT 7 Aug 87

[Text] Harbin, August 7 (XINHUA) -- A total of 23 people connected with China's worst forest fires in 40 years have been arrested or are facing criminal charges and other punishments, according to the Government of Heilongjiang Province.

They include prefecture and county leaders, as well as ordinary cadres and workers. The six workers who are charged with directly causing the fire have been arrested. And 17 cadres, including Deputy Secretary of Mohe County party committee and County Magistrate Gao Baoxing, are either under arrest or have their responsibilities fixed for the crime.

In addition, the Heilongjiang provincial party committee, the provincial People's Government and the Ministry of Forestry have decided to take disciplinary action against the following local cadres:

Li Chunhe, secretary of the Daxinganling prefectural party committee; Qiu Xingya, deputy secretary of the prefectural party committee, the prefecture's commissioner and director of the prefectural Forestry Bureau; Zhang Fengming, deputy commissioner of the prefecture and deputy director of the prefectural Forestry Bureau; Wang Zhaoying, secretary of the Mohe County party committee and party secretary of the Xinlinji Forestry Bureau; Li Zhenjie and Wang Yudong, deputy magistrates of Mohe County; and Li Yongqing and Zheng Baoman, deputy secretaries of the Mohe County party committee.

Punishments include stripping of party and non-party posts, being expelled from the party, serious warnings within the party or record of demerit.

The decisions were taken based on investigations conducted by a 31-member team formed by the Ministry of Forestry, Heilongjiang and Daxinganling authorities last June.

The causes of the fire of the Pangu Forestry Company of the Tahe Forestry Bureau in the eastern fire area is still being investigated.

China's worst forest fire in 40 years broke out May 6 and lasted until June 2. It burned 1.01 million hectares, nearly 70 percent of which was covered by forests. It also destroyed 614,000 square meters of housing, and gutted five timber yards and nine tree farms. Statistics show that 50,000 people were left homeless, 193 people killed and 226 injured.

MACAOMACAO GOVERNOR ARRIVES FROM PORTUGAL 8 AUG

HK090240 Hong Kong SUNDAY STANDARD in English 9 Aug 87 p 1

[Text] Macao's newly appointed Governor, Mr Carlos Montez Melancia, arrived in Hong Kong from Portugal yesterday afternoon with his family.

The 60-year-old governor quietly slipped through the VIP exit at Kai Tak Airport with no word to the press.

He will leave this morning for Macao, where, quite different from past occasions, no welcoming committee will line up outside the terminal. He will be met by just the acting governor and a few officials.

Locals will not have the chance to greet the new governor until he makes his maiden speech inside the Government Palace.

Government Council Abolished

HK100625 Hong Kong SOUTH CHINA MORNING POST in English 10 Aug 87 p 1

[From David Laue, in Macao]

[Text] Macao's 126th Governor, Mr Carlos Melancia, yesterday stepped ashore in the Portuguese enclave and immediately took charge by announcing the abolition of the controversial Government Council.

Mr Melancia said he would not allow politics in Lisbon to affect the administration of Macao and would scrap the council to use the total power he had under Macao's constitution, the Organic Statute.

Internal bickering within the council, which was established by the former Governor, Dr Joaquim Pinto Machado, to run the territory, was believed to have led to Dr Machado's sudden resignation in June.

Besides the Governor, the council comprised the five permanent under-secretaries of the Macao Government.

Delivering his first speech as Governor at Government House, Mr Melancia said: "The Governor holds total power according to the constitution of Macao."

The former Portuguese Government minister and tough businessman said he believed political stability and economic growth were the keys to Macao's future and he stood for strong leadership and stability.

He and his newly appointed under-secretaries would forge strong links with political and administrative groups in Macao, including the Legislative Assembly and the Municipal Council, he said.

"I will take on the important projects planned by the former administration, including the deep harbour development and the Macao airport," he said.

"It is a fact that the new airport has the agreement of neighbouring territories."

Mr Melancia said Portugal was "completely and totally responsible" for Macao's administration and future until 1999 when it would be handed to China and become a Special Administrative Region.

"The next 12 years will be important to define the social and economic system and the way of life for Macao in the future," he said.

His first task would be to deal with the ratification of the April Joint Declaration between China and Portugal over Macao's future.

The declaration had been negotiated in a spirit of friendship and co-operation and this should continue in the Sino-Portuguese Joint Liaison Group.

After he was sworn in last month, Mr Melancia had called for at least two people from Macao to be appointed to the Sino-Portuguese Joint Liaison Group which would discuss Macao's future.

Two new under-secretaries have been appointed and have been in Macao for a month to help the transfer of power. Three more under-secretaries will soon be appointed.

Mr Melancia said the new Government would also tackle modernising the legal system, translating the laws into Chinese, introducing a bilingual system and training locals for the civil service.

Earlier, Mr Melancia reviewed a police honour guard and took the salute in front of Government House.

Macao's acting Governor, Mr Carlos Monjardino, welcomed the new Governor in the elegant, chandelier-lit Government House reception room.

Dignitaries attending the ceremony included the president of the Legislative Assembly, Dr Carlos Assumpcao; the general manager of the Nan Kwong Trading Company (China's de facto representative office in Macao), Mr Ke Zhengping; casino magnate Mr Stanley Ho and the leader of the Macao Chinese business community, Mr Ma Man-kei.

Yesterday afternoon, Macao's acting Mayor, Mr Macedo Loureiro, gave Mr Melancia the key to Macao in a ceremony at the Municipal Hall.

Welcoming Ceremony

OW100434 Beijing XINHUA Domestic Service in Chinese 1440 GMT 9 Aug 87

[By reporter Peng Chengjing]

[Text] Macao, 9 Aug (XINHUA) -- Melancia, the newly appointed governor of Macao, said here today that amicable cooperation between Portugal and China is an indispensable condition for the development of Macao.

The 126th governor of Macao arrived here this morning to assume his post. Speaking at the welcome ceremony at Macao Governor's Palace, he said that as governor of Macao, he will "Encourage and actually enhance the spirit of dialogue that expresses the ideals of both nations" on line with the Portuguese-Chinese Joint Declaration.

Accompanying Melancia was Peng-Li-Le [1756 3810 2867] [name as received], new secretary general of the Macao government.

The 60-year-old Melancia was appointed governor of Macao by the president of Portugal on 3 July, following the resignation submitted by former Macao Governor Machado on 30 May.

Also attending today's welcoming ceremony were Macao government officials and some 80 well-known personalities from various circles including Carlos D'Assumpcao, president of the Legislative Assembly; Ke Zhengping, general manager of the Nanguang Company; Ma Man-Kei, president of the Macao Chinese General Chamber of Commerce; and others.

END OF

FICHE

DATE FILMED

11 August 1987

